



# Enterprise of the Future

## Science and ESG Accelerating our Transformation

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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 market size reduction and consumer down-trading; 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; and changes in the market position, businesses, financial condition, results of operations or prospects of the Group.

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# Important information



## **Forward-looking Statements (continued)**

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## **No Profit or Earnings Per Share Forecasts**

No statement in this presentation is intended to be a profit forecast and no statement in this presentation should be interpreted to mean that earnings per share of BAT for the current or future financial years would necessarily match or exceed the historical published earnings per share of BAT.

## **Additional information**

Our vapour product Vuse (including Alto and Vibe), and certain products including Grizzly, Granit, Camel Snus, Velo and Kodiak, 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.

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 regulatory clearance.

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# Committed to Building A Better Tomorrow™



## Our Purpose

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**To reduce the health impact of our business**



## Our Commitment

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**To provide *adult consumers* with a wide range of enjoyable and *less risky products***

**To encourage *smokers* to *switch completely* to *scientifically-substantiated reduced-risk alternatives\****

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

# Delivering Our Purpose is Transforming BAT



**From**

**To**

**Cigarettes**

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

**&  
Declining Volume  
Growing Value**

**&  
Growing Volume  
& Value**



**Building A Better Tomorrow™**

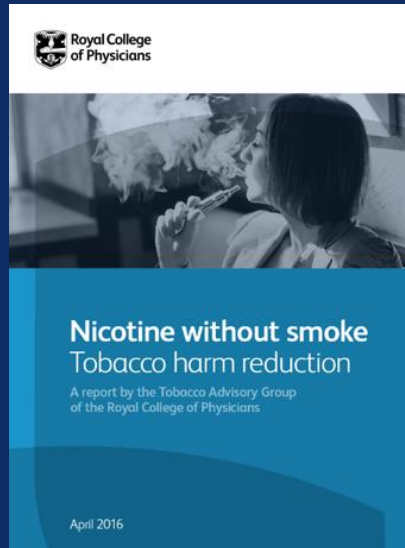
\*Beyond refers to Wellbeing & Stimulation Beyond Nicotine. Target market for consumer acquisition is existing adult smokers/nicotine/beyond nicotine users.

# Most of the Harm from Tobacco is caused by Combustion Not Nicotine



“ It’s the **other chemical** compounds in tobacco, and in the **smoke** created by setting tobacco on fire, that directly and primarily **cause the illness and death, not the nicotine.** ”

DR. SCOTT GOTTLIEB  
US FDA COMMISSIONER (JULY 2017)



“ **Nicotine is not...a highly hazardous drug.** The main culprit is smoke and, **if nicotine could be delivered effectively and acceptably...without smoke, most, if not all, of the harm of smoking could probably be avoided** ”

UK ROYAL COLLEGE OF PHYSICIANS  
Nicotine without smoke: Tobacco harm reduction (2016)

# Tobacco Harm Reduction recognised in Policy and Regulation in a number of countries

“The **closer** the **risks** and **exposures** from the **Reduced Risk Products** are **to cessation** ...the more confident a regulator can be in the chances for net **public health benefit**”\*



2001    2007    2012

- 
**Food and Drug Administration**
- 
**Public Health England**
- 
**National institute for Public Health & the Environment**
- 
**& others**

\*From US Institute of Medicine: Scientific Standards for Studies on Modified Risk Tobacco Products 2012. Other reports highlighted: Clearing the Smoke (nih.gov) 2001 and Evidence-Based Medicine and the Changing Nature of Health Care: 2007 IOM

# Key enablers of Tobacco Harm Reduction



**Consumer  
choice**



**World-class  
science**

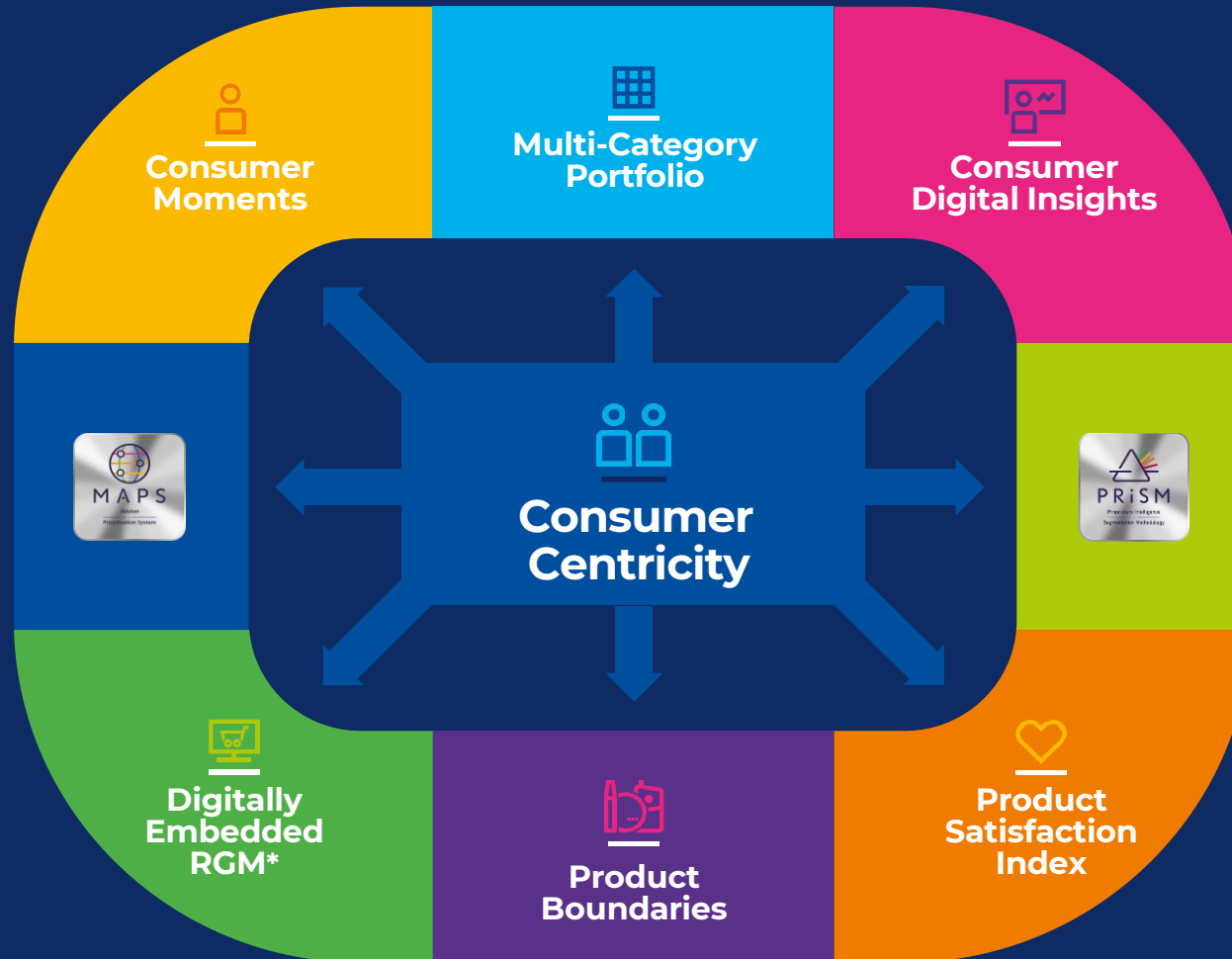


**Standards &  
regulation**

**Tobacco Harm reduction is at the heart of our ESG strategy**



# Our Strategy Starts with the Consumer



**A Unique Consumer-Centric Multi-Category model**

# A Large, Growing Harm Reduction Opportunity



2020

2025\*



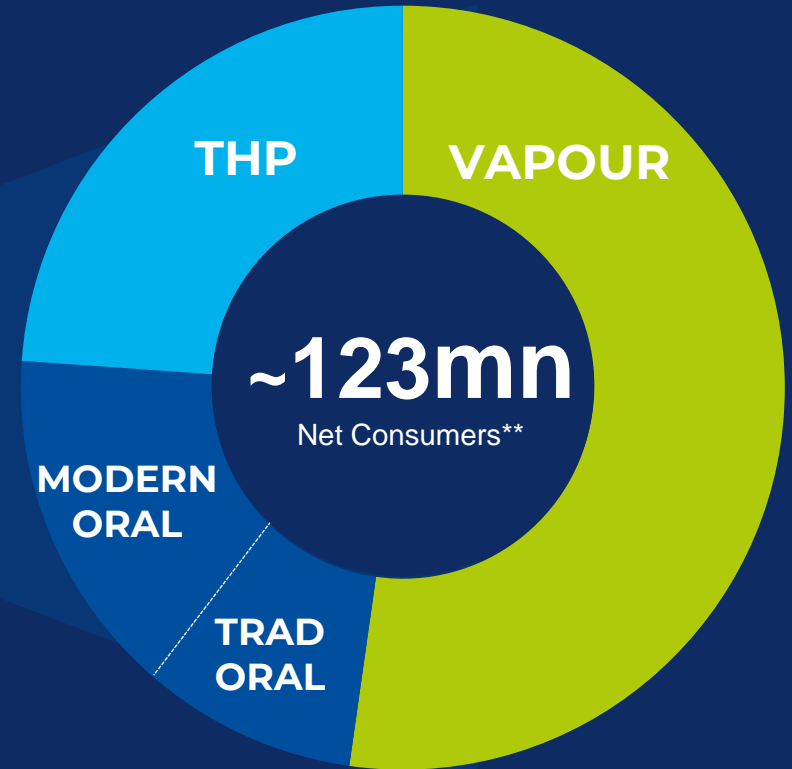
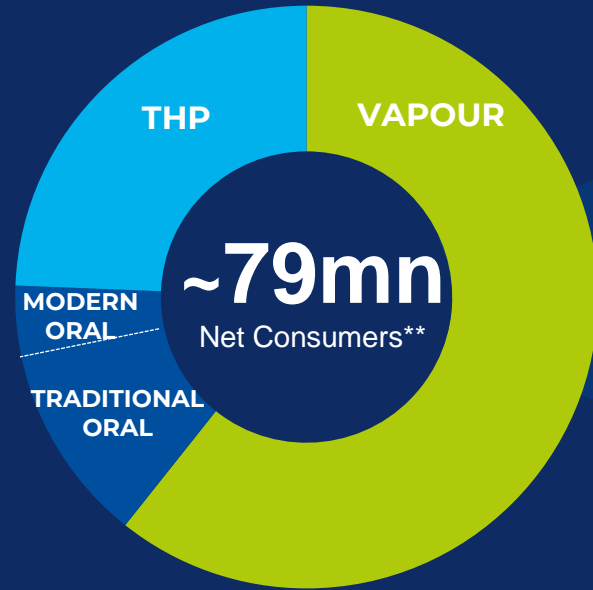
Non-Combustibles\*\*\*

13.5mn

Consumers\*\*\*

17%

Revenue & Consumers Share^



Working for **A Better Tomorrow™** for 1.1bn Smokers

2025 estimate based on company data. Industry Incidence Study & BAT internal estimates, excluding India and China. \*\*Total Non-Combustibles Net Consumers excludes-Poly users to avoid double-counting. Poly-usage across non-combustible products. \*\*\* Non-Combustible consumer definition. See Appendix A2. ^ BAT share of revenue and consumers as a % of 2020 industry estimates

# Strong, Global, Scientifically-Substantiated Brands in All Three Categories

**VAPOUR**



#1  #2 

**THP**



#2 

**MODERN ORAL**



#1  #3 

Share positions based on value share of vapour and volume share of THP and Modern oral. Vuse brand represents c. 80% of FY20 vapour revenue. Continue to migrate remaining Vype brands during 2021. Velo brand represents over 50% of FY20 Modern Oral markets. Continue to migrate remaining EPOK, LYFT brands during 2021.

# Underpinned by World-Class Capabilities in Science and Innovation

**60+**  
Years  
of R&D

**1500**  
R&D  
specialists

**2x**  
R&D  
spend  
since 2017

**114**  
Peer-reviewed  
articles and  
manuscripts  
published in New  
Categories

**12**  
BTVentures  
investments  
adding new  
capabilities

**Accelerating our transformation through attracting new talent from a wide range of industries**

# Evaluated Using a Multi-Disciplinary Risk Assessment Framework



## Emissions

What is in the vapour/aerosol?



## Exposure

What happens when exposed to these emissions?



## Risk

What is the long-term health risk?

Behavioural Sciences

Chemistry

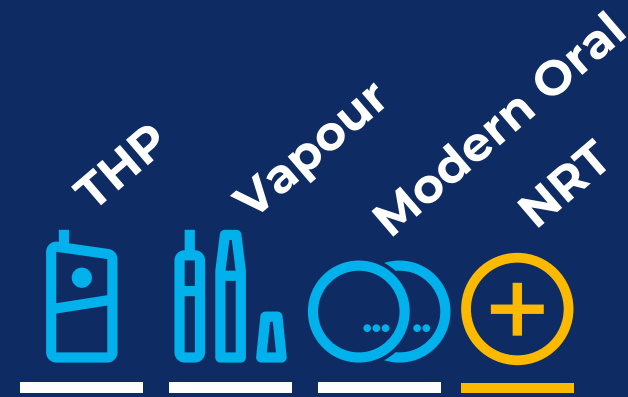
Biological Sciences

Clinical Studies

Population Studies

# Most of the Harm from Tobacco is caused by Combustion Not Nicotine\*

Combustibles<sup>1</sup>



**Our Non-Combustible Products are proven to produce far less toxicants<sup>1</sup>**

<sup>1</sup> Relates to standard reference cigarette. \*As stated by: Dr. Scott Gottlieb US FDA Commissioner (July 2017), and UK Royal College of Physicians, Nicotine without smoke: Tobacco harm reduction (2016)

# Building an Evidence Based approach to Tobacco Harm Reduction led by Vaping

- ✓ **First** international tobacco company to **launch** an **e-cigarette**
- ✓ **Largest published dataset** on a single vapour product (ePen)
- ✓ **First** and **most comprehensive analysis**<sup>1</sup> of e-cigarette aerosol
- ✓ Our scientific data is **published** in **71** peer-reviewed **manuscripts**
- ✓ **Evolved design** with enhanced device, battery and nicotine salts supporting consumer **safety** and **satisfaction**
- ✓ **Pilot launches** of **age verification technology** in H1 '21



# Growing Consensus on Harm Reduction Use Potential of Vaping Products

**ASH**  
(Action on Smoking & Health)<sup>1</sup>  
Public health charity

“Compared to tobacco products, **electronic cigarettes** are **significantly safer**”

**PUBLIC HEALTH ENGLAND**<sup>2</sup>

“Our new review reinforces the finding that **Vaping** is at least **95% less harmful**<sup>1</sup>...and of **negligible risk to bystanders**”

**UK HOUSE OF COMMONS SCIENCE & TECHNOLOGY COMMITTEE**<sup>3</sup>



“E-cigarettes present an opportunity to significantly **accelerate** already **declining smoking rates**”

“They are substantially **less harmful** - by around **95%** - than conventional cigarettes. They **lack** the **tar** and **carbon monoxide** of conventional cigarettes - the most dangerous components”

**GOVERNMENT OF CANADA**<sup>4</sup>



“Switching from tobacco cigarettes to vaping products will **reduce** a person’s **exposure** to many **toxic** and **cancer-causing chemicals**”

**NEW ZEALAND MINISTRY OF HEALTH**<sup>5</sup>



“Smokers switching to vaping products are **highly likely** to **reduce** their **health risks** and for those around them”

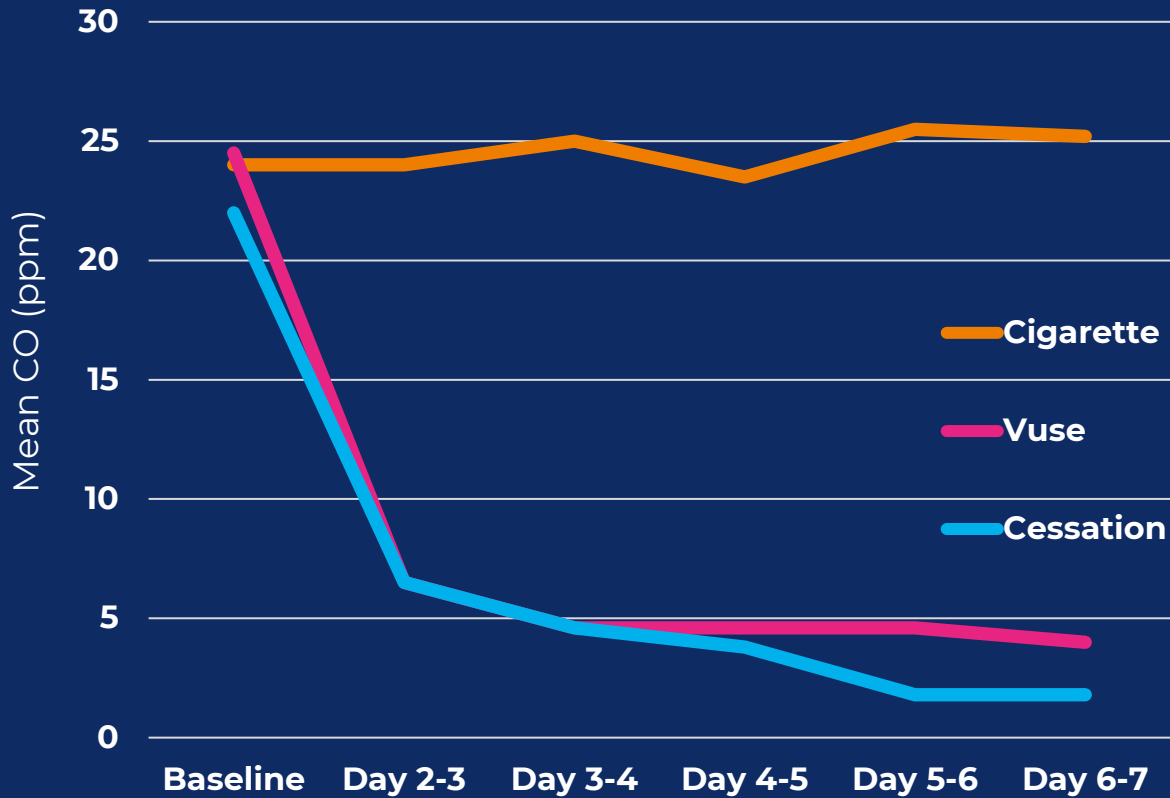




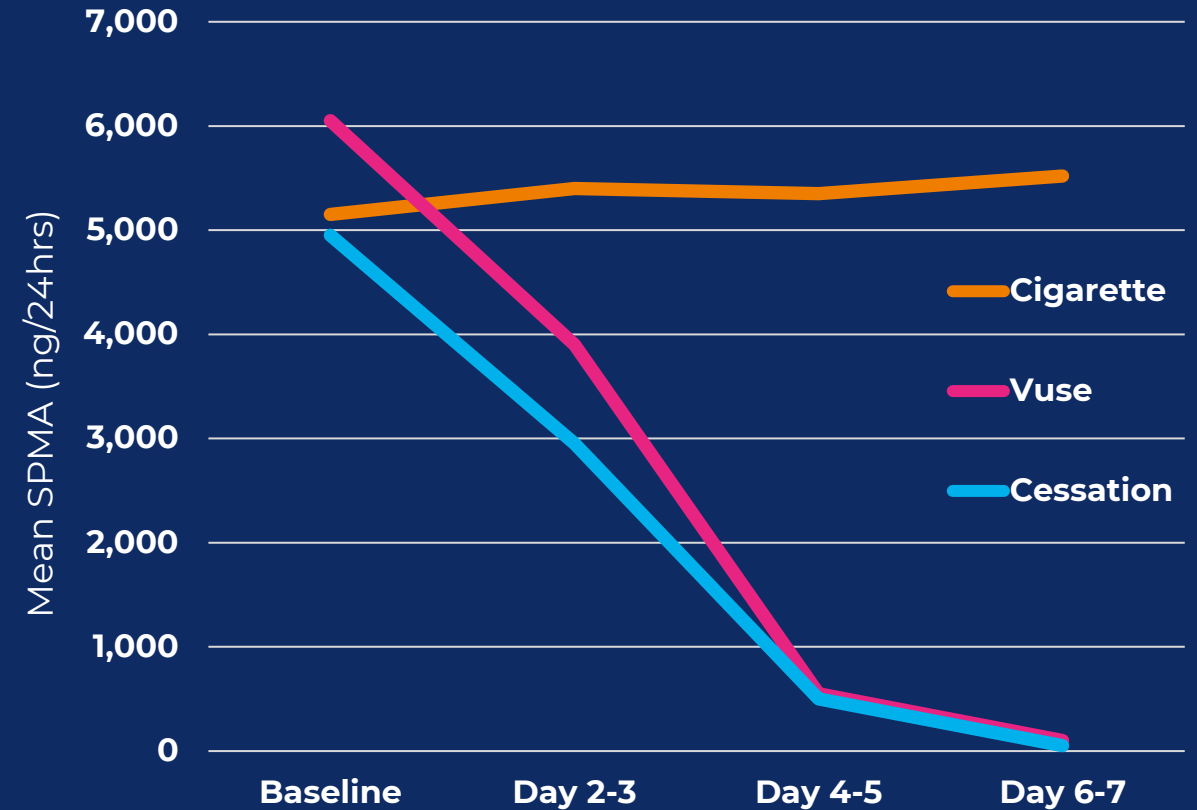
# Reduction in Toxicant Exposure Similar to Cessation



### Carbon Monoxide



### Benzene





# Growing Consensus on Harm Reduction Potential of THP products



## Public Health England

Compared to cigarette smoke, **heated tobacco** products are likely to expose users and bystanders to **lower levels** of **particulate matter** and **harmful** and potentially harmful **compounds**



## Food and Drug Administration

These particular products could **help** addicted adult **smokers transition away** from combusted **cigarettes** and **reduce** their exposure to **harmful chemicals**

2017

2018

2019

2020



## UK Committee on Toxicology

It is **likely** there is a **reduction in risk**, though not to zero, for health for smokers who switch completely to **heat-not-burn** tobacco products



## Federal Institute for Risk Assessment

The herein confirmed **reductions** of **relevant toxicants** by about **80-99%** are substantial

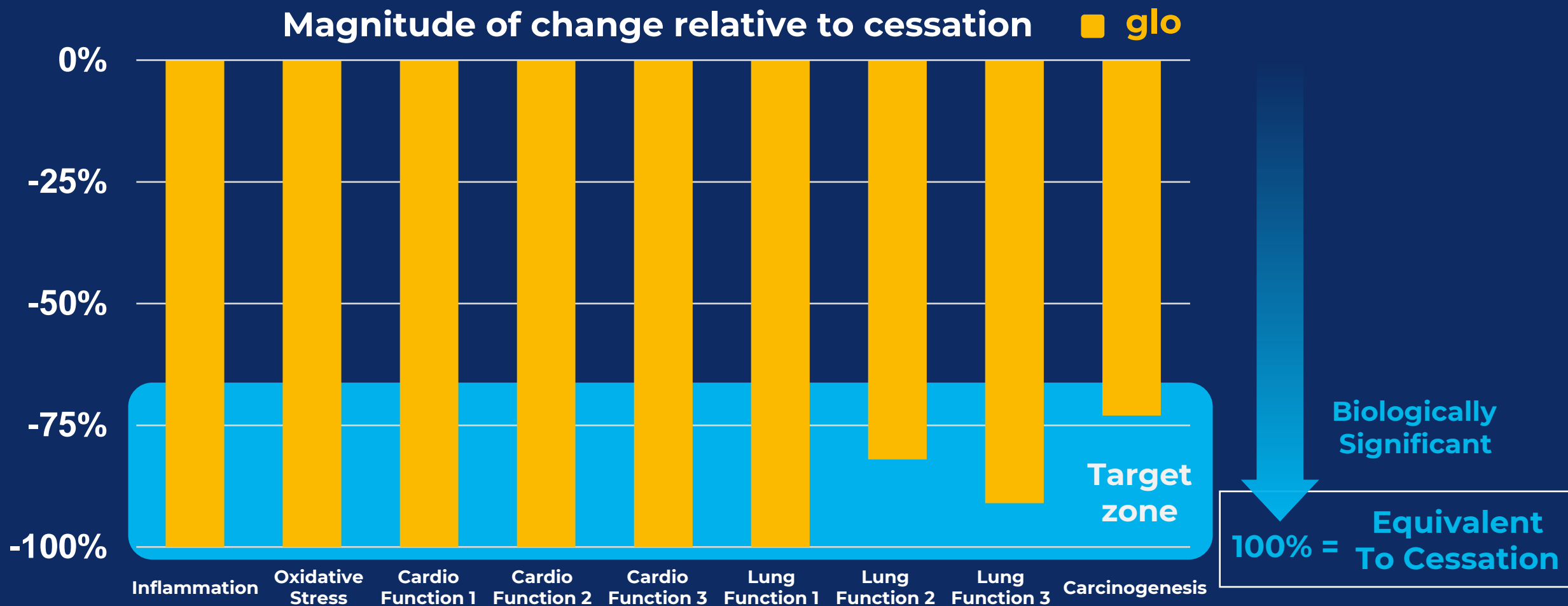


## National institute for Public Health & the Environment

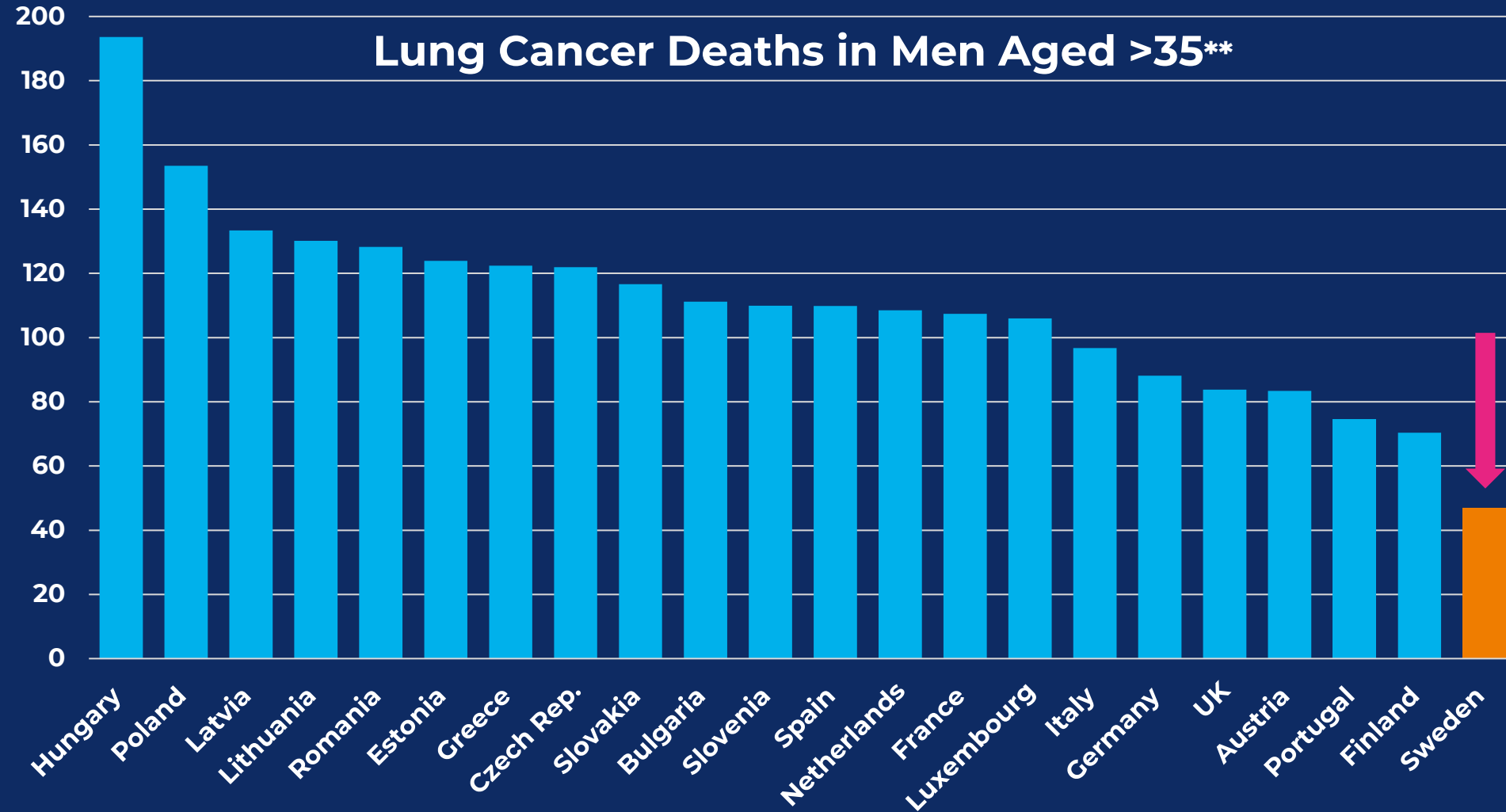
The use of **Heated Tobacco Products** is harmful to health, but **probably less harmful** than **smoking** tobacco cigarettes



# Biomarker of Potential Harm Responses Similar to Cessation



# 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.



# Velo has Much Lower Toxicant Levels than Snus



**-99%**  
**Toxicants**  
**vs.**  
**Cigarettes**

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

**Assessment of 9 chemicals the WHO recommends to reduce in cigarette smoke<sup>1</sup> vs. cigarette and Snus**

As measured by independent lab

# Extensive Scientific Substantiation support our products as Reduced Risk\*



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

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

**Clinical studies** show **significant reductions** in biomarkers of exposure

**Our Vapour scientific** data is published in **71 peer-reviewed** manuscripts



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

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

**Clinical studies** show **significant reductions** in biomarkers of exposure, **similar to cessation**

**Our glo scientific** data is published in **65 peer-reviewed** manuscripts



**>30 years of studies** have shown **snus is much less risky** than smoking

**Toxicology** even **less harmful** than **snus**

**Clinical studies** show Velo usage & behaviour is **very similar** to **snus**

We believe **Modern Oral** products are **reduced risk** as toxicant levels are lower than in snus\*

# How New Category Products should be Regulated



**An evidence-based approach**



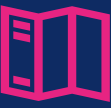
**Proportionate regulation**



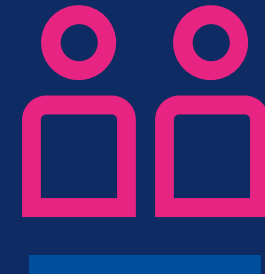
**Freedom to innovate**



**Engagement, dialogue & communication**

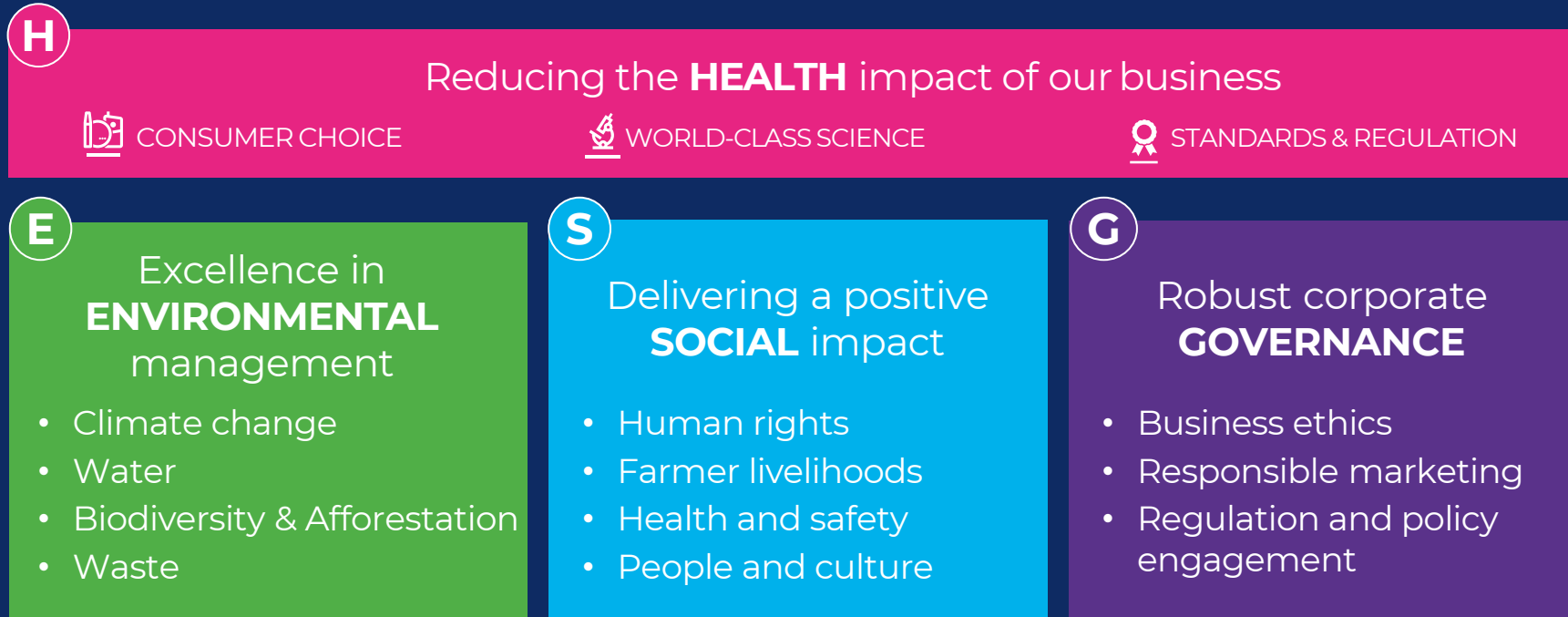


**Responsible marketing freedoms**



**Consumer Choice & Freedom**

# Harm Reduction is the Cornerstone of our Comprehensive ESG Strategy



## Creating value for all our stakeholders



50 million consumers of non-combustible\* products by 2030



£5bn New Category Revenue in 2025



Carbon neutral by 2030\*\*



Eliminate unnecessary single-use plastic & all plastic packaging recyclable<sup>^</sup> by 2025\*\*

\*Non-combustible consumer definition. See Appendix A2. \*\* Environmental targets, carbon neutral is scope 1 & 2. See Appendix A1. ^ Reusable, recyclable or compostable



# Building on Strong ESG Foundations



BRITISH AMERICAN TOBACCO  
SOCIAL REPORT 2001/2002



**S RTP**  
Social  
Responsibility  
in Tobacco  
Production



**OUR SUSTAINABILITY AGENDA**

- Harm reduction**  
We will strive to bring commercially viable, consumer acceptable reduced-risk products to market.
- Marketplace**  
We will take a lead in upholding high standards of corporate conduct within our marketplace.
- Environment**  
We will actively address the impacts of our business on the natural environment.
- Supply chain**  
We will work for positive social, environmental and economic impacts in our supply chain.
- People and culture**  
We will work to ensure we have the right people and culture to meet our goals.



↓50%  
CO<sub>2</sub>e by  
2030

**External  
Scientific  
Panel**



Supply chain  
sustainability strategy

**Diversity & Inclusion  
strategy**



Stretching new  
Targets



**Named in Dow Jones Sustainability Indices for 19 consecutive years**  
In 2020 was once again the only tobacco company in prestigious DJSI World Index

# Focused on Delivering Value for all our Stakeholders

## Shared Value

### SHAREHOLDERS



Consistently **delivering** against our financial commitments for **shareholders**

### CONSUMERS



**Offering consumers a choice** of enjoyable, less risky products<sup>1</sup>

### SOCIETY



**Reducing** the overall health and environmental **impact** of our business for **society**

### EMPLOYEES



Creating a **dynamic** and purposeful place to **work** for our **employees**

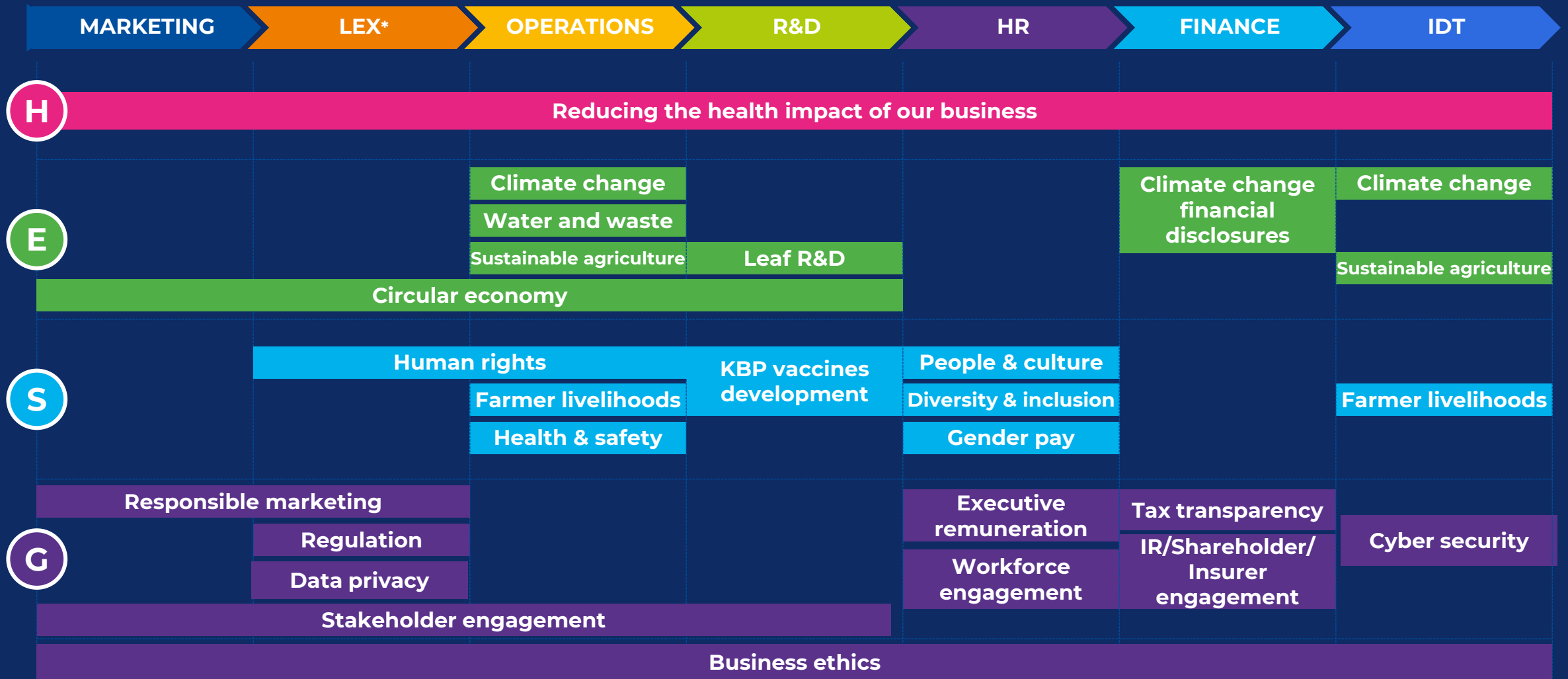
1. Based on the weight of evidence and assuming a complete switch from cigarette smoking. These products are not risk free and are addictive.

# Our Shared Value Strategy in Action





	SHAREHOLDERS	CONSUMERS	SOCIETY	EMPLOYEES
<b>H</b> Reducing the <b>HEALTH</b> 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 
<b>E</b> Excellence in <b>ENVIRONMENTAL</b> management	Efficient use of natural resources 	Products with lower environmental impact 	Protecting resources and acting on climate 	Proud to work for a green company 
<b>S</b> Delivering a positive <b>SOCIAL</b> impact	Supporting stronger communities 	Brands that enhance livelihoods and communities 	Partnering for impact 	Inclusive work culture 
<b>G</b> Robust corporate <b>GOVERNANCE</b>	A reputable investment 	Transparent marketing 	Ethical conduct 	Clear standards to empower all 



# Embedded in How We Think and Operate



# With Clearly Defined Targets<sup>^</sup>




<p><b>H</b></p>  <p>Reducing the <b>HEALTH</b> impact of our business</p>	<ul style="list-style-type: none"><li>• <b>50m non-combustible product* consumers</b> by 2030</li><li>• <b>£5 billion New Category revenue</b> by 2025</li></ul>
<p><b>E</b></p>  <p>Excellence in <b>ENVIRONMENTAL</b> management</p>	<ul style="list-style-type: none"><li>• <b>Carbon neutral: Scope 1 &amp; 2</b> by 2030; Scope 3 by 2050</li><li>• <b>35% reduction in water withdrawn</b> by 2025<sup>1</sup>; 30% increase in <b>water recycled<sup>1</sup></b> by 2025</li><li>• <b>100% sustainable wood</b> for tobacco curing<sup>2</sup>; 100% <b>renewable electricity</b> by 2030<sup>3</sup></li><li>• <b>100% of plastic packaging</b> reusable, recyclable or compostable by 2025</li><li>• <b>Eliminate unnecessary single-use plastic</b> packaging; Zero waste to landfill by 2025<sup>3</sup></li></ul>
<p><b>S</b></p>  <p>Delivering a positive <b>SOCIAL</b> impact</p>	<ul style="list-style-type: none"><li>• <b>Zero child labour and forced labour</b> by 2025<sup>4</sup></li><li>• <b>100% suppliers subject to human rights</b> due diligence<sup>5</sup></li><li>• <b>Enhance farmer livelihoods</b> through good agricultural practices and higher productivity</li><li>• <b>Zero accidents</b> group-wide</li><li>• <b>Increase women</b> to 45% of management roles by 2025</li></ul>
<p><b>G</b></p>  <p>Robust corporate <b>GOVERNANCE</b></p>	<ul style="list-style-type: none"><li>• <b>100% Standards of Business Conduct</b> adherence</li><li>• <b>100% Youth Action Prevention Guidelines</b> adherence</li><li>• <b>SoBC Lobbying and Engagement Policy</b> adherence</li></ul>

<sup>^</sup> See Appendix A1 for further details on ESG targets. \* Non-combustible consumer definition. See Appendix A2. 1 Against 2017 baseline. 2. by our contracted farmers.. 3. in our operations sites 4. in our tobacco supply chain; child labour definition based on ILO definition. 5. All our product materials and high-risk indirect service suppliers (non-agricultural suppliers) to have undergone at least one independent labour audit within a three-year cycle by 2025



# Accelerating our Transformation: Excellence in Environmental Management



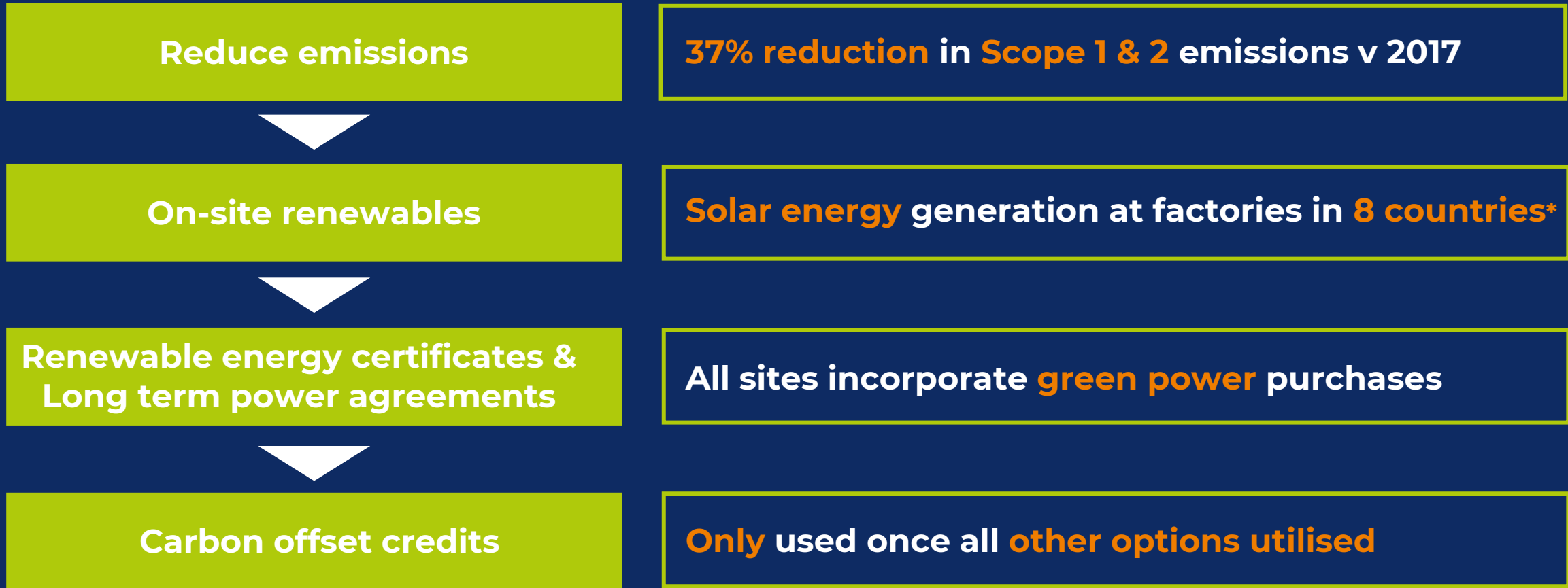
		2017	2020	
 CLIMATE CHANGE	Carbon neutral - Scope 1 & 2 by 2030	864 <small>('000 tonnes)</small>	541	(- 37.4%)
 WATER	35% reduction in water withdrawn by 2025 <sup>1</sup>	5.19 <small>(mn cubic metres)</small>	4.03	(- 22.5%)
 BIODIVERSITY & AFFORESTATION	100% sustainable wood for tobacco curing <sup>2</sup>	99%	99%	✓
 WASTE	100% of plastic packaging reusable, recyclable or compostable by 2025	Data not available	82%	

See Appendix A1 for further details on ESG targets. 1. From 2017 baseline. 2. by our contracted farmers

# Comprehensive Carbon Strategy working throughout the value chain



# Good progress on Scope 1 & 2 Emissions

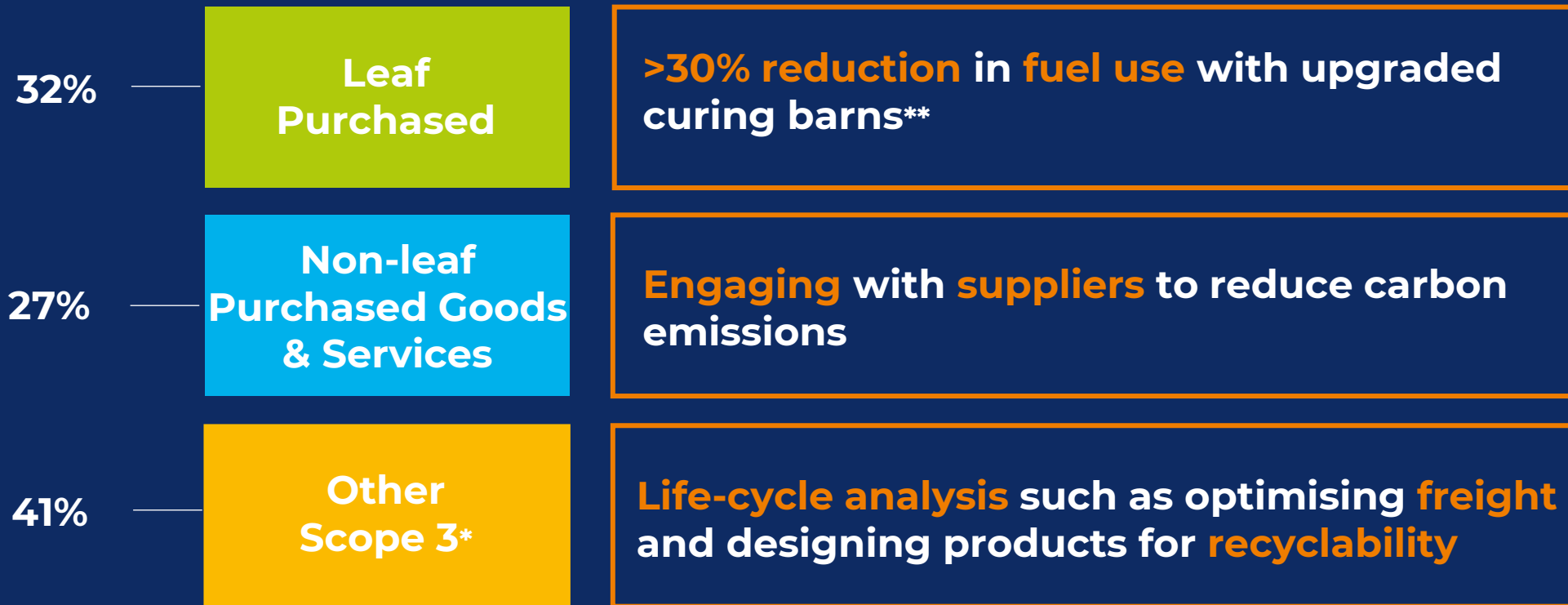


**Carbon Neutral Scope 1 & 2 by 2030**



# Working Closely with Our Partners to Reduce Scope 3 Emissions

**% carbon emissions in supply chain**



## Carbon Neutral Scope 3 by 2050

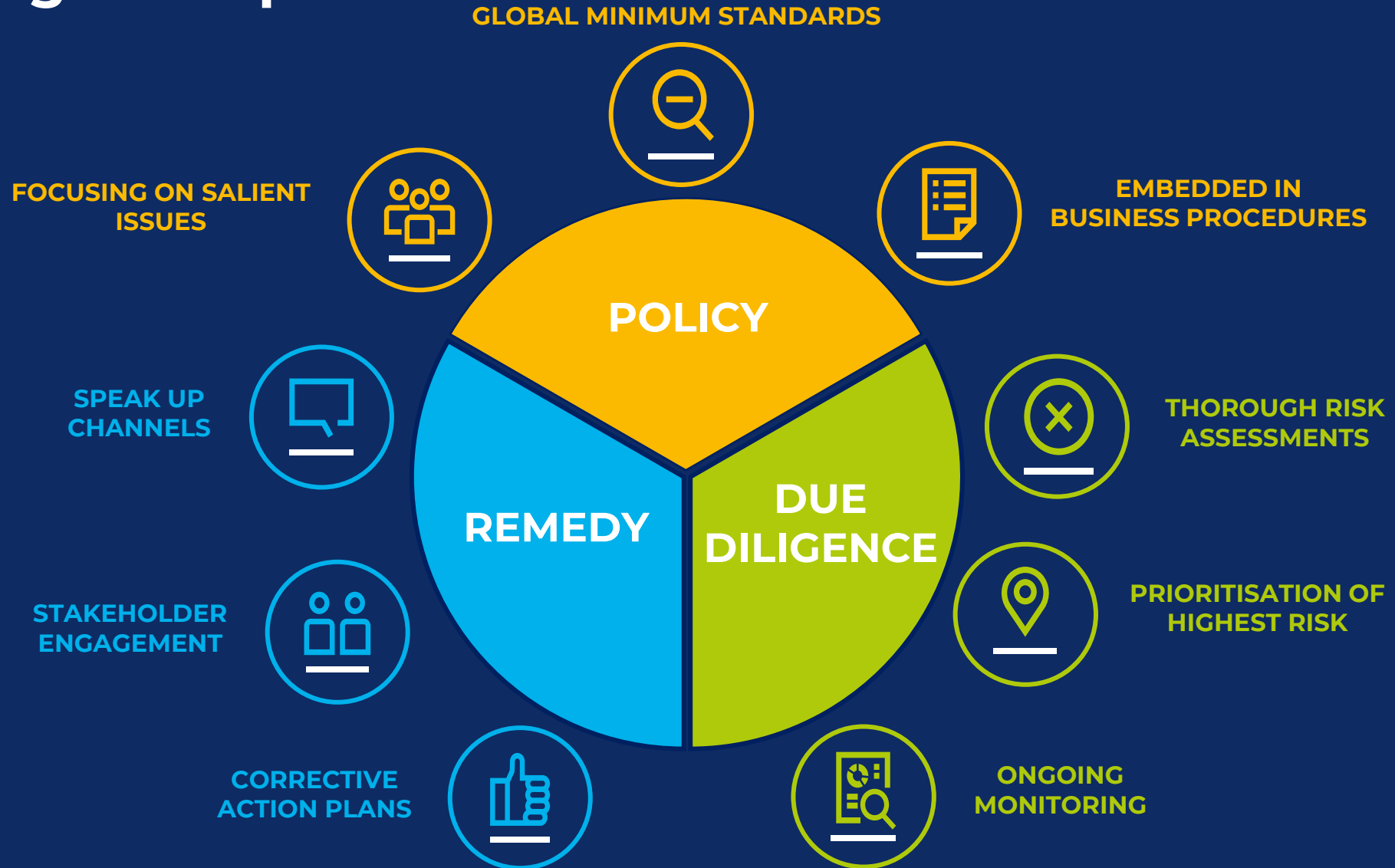
See Appendix A1 for further details on ESG targets. \*Other Scope 3 includes capital goods, use and disposal of sold products, end of life treatment, and other categories including transportation, business travel and commuting  
 \*\*Upgrading curing barns to automated 'loose leaf' models can enable at least a 30% reduction in fuel use. These innovative curing technologies have now been introduced to our contracted farmers in five countries.

# S Accelerating our Transformation: Delivering a Positive **Social** Impact

		2017	2020	
 HUMAN RIGHTS	Zero child labour by 2025 <sup>1</sup>	Data not available	0.5% <sup>2</sup> (98.5% resolved)	
 HUMAN RIGHTS	100% of suppliers subject to human rights due diligence <sup>3</sup>	46%	100%	✓
 HEALTH & SAFETY	Zero accidents group-wide	284	142	(- 50%)
 PEOPLE & CULTURE	Increase women to 45% of management roles by 2025	34%	38%	(+4pp)

See Appendix A1 for further details on ESG targets. 1. in our tobacco supply chain 2. % of farms with incidents of child labour identified 3. All our product materials and high-risk indirect service suppliers (non-agricultural suppliers) to have undergone at least one independent labour audit within a three-year cycle by 2025

# Human Rights Strategy aligned with UN Guiding Principles



# Comprehensive Approach to Eliminate Child Labour in Leaf

## ROBUST MONITORING AND REMEDIATION PROCESS

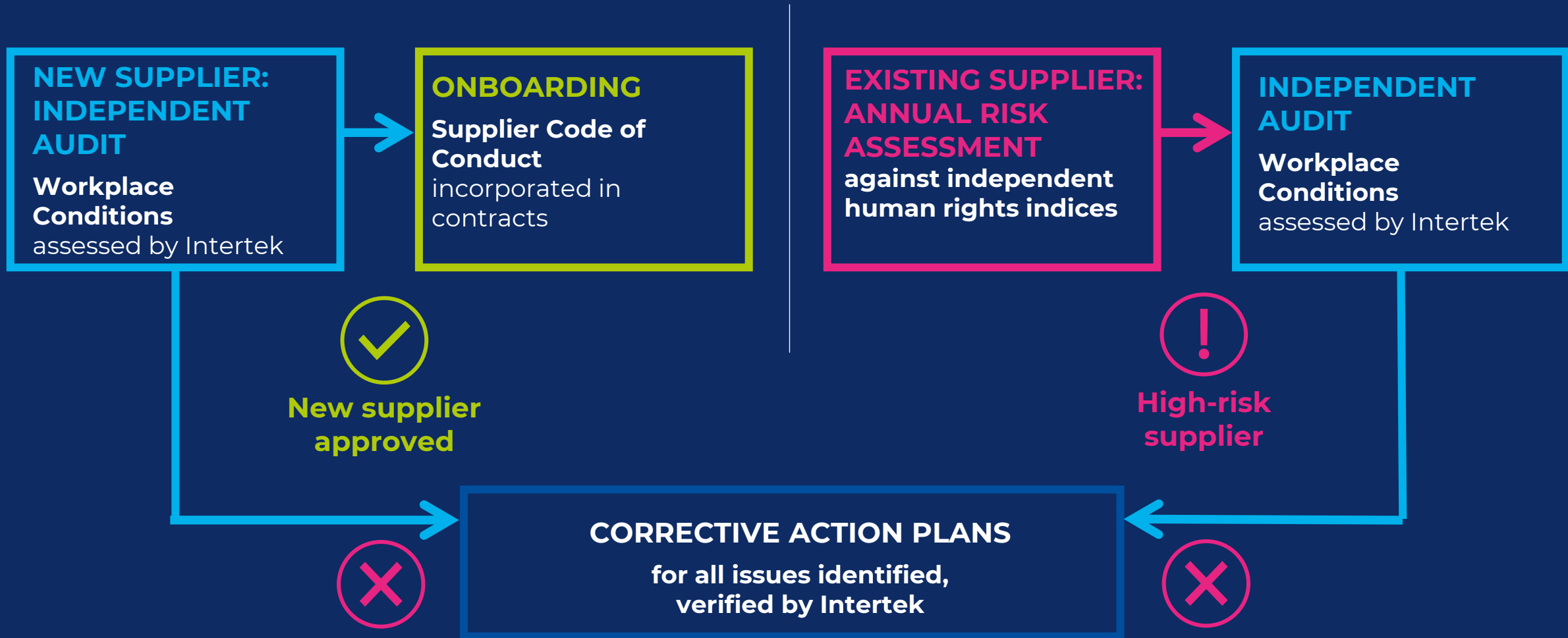


## LONGER-TERM FOCUSED ON ROOT CAUSES



<sup>1</sup> Our field technicians visit our contracted farmers approximately once a month during the growing season. <sup>2</sup> % of farms with incidents of child labour <sup>3</sup> Based on number of child labour incidents identified (proportion reported as resolved). Reported via our Thrive 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

# Protecting Human Rights in our Non-Leaf Supply Chain





# Accelerating our Transformation: Robust Corporate Governance



2017

2020



## BUSINESS ETHICS

100% Standards of Business Conduct (SoBC) adherence

100%  
(employee training)

100%



## RESPONSIBLE MARKETING

100% Youth Action Prevention Guidelines adherence

N/A  
(markets aligned)

100%



## REGULATION & POLICY ENGAGEMENT

SoBC Lobbying and Engagement Policy adherence

Principles for Engagement incorporated into a new Lobbying and Engagement Policy in our SoBC



## DISCLOSURE FRAMEWORKS

Fully align our disclosures with key frameworks; with TCFD by 2022

GRI ✓

SASB ✓

GRI ✓

WEF ✓

# Continuously Strengthening Our Business Conduct & Compliance

2021/22

2016

## RENEWED BOARD COMMITMENT

- Policies & Procedures
- Top mgmt. focus

2017

## BUSINESS CONDUCT & COMPLIANCE TEAM FORMED

- Oversight, autonomy & resources
- Whistleblowing hotline

2018

## STRENGTHENED COMPLIANCE PROGRAMME

- Risk management
- Anti-Bribery & Corruption focus
- Training & Comms

2019

## EMBED IN ORGANISATION

- Commitment from middle mgmt.
- 3<sup>rd</sup> Parties focus
- Global Integrity Pledge

2020

## DIGITAL, AUTOMATION, 3<sup>RD</sup> PARTY RISKS

- Investigations & case mgmt.
- Incentives, discipline & enforcement
- M&A

## AUDIT, ASSURANCE & HARNESSING DATA

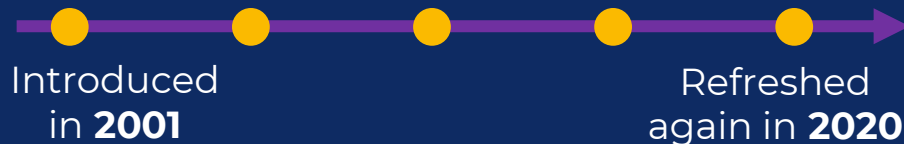
- Data analytics
- Automation & Integration
- 3<sup>rd</sup> Party life-cycle mgmt.



Delivery *with*  
**Integrity**

# Ensuring Responsible Marketing Directed at Adult Smokers

## International Marketing Principles (IMP)



- ✓ Applied globally, even when **stricter** than local laws
- ✓ **All marketing materials** subject to **review** and approval by **internal legal**

## Youth Access Prevention (YAP)

- ✓ **Strengthened** YAP approach
- ✓ Mandatory provision of **point-of-sale materials\***
- ✓ Monitored through **internal audit**, and overseen by **Audit Committee**
- ✓ Only partner with **3<sup>rd</sup> parties** where vast majority of **audience** is **adult**

**H1 '21 Vuse Age-Verification Pilots**



\*Unless a government ban is in place

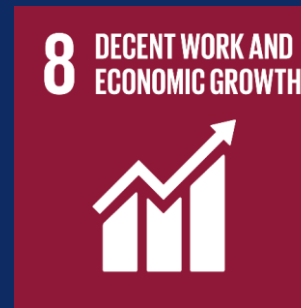


# Our Integrated Approach to ESG Contributes Directly to the UN Sustainable Development Goals

## STRATEGIC GOALS



## PRIORITY GOALS



## LOCALISED GOALS



# Creating Value for all Stakeholders



“ **CREATING SHARED VALUE FOR OUR STAKEHOLDERS ISN'T JUST THE RIGHT THING TO DO, IT MAKES SOUND BUSINESS SENSE AND IS CENTRAL TO OUR STRATEGY TO DELIVER A BETTER TOMORROW** ” Jack Bowles, CEO

# Delivering Our Purpose is Transforming BAT



**From**

**To**

**Cigarettes**

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

**And  
Declining Volume  
Growing Value**

**And  
Growing Volume  
& Value**



**Building A Better Tomorrow™**

\*Beyond refers to Wellbeing & Stimulation Beyond Nicotine. Target market for consumer acquisition is existing adult smokers/nicotine/beyond nicotine users.

# Appendix



## **A1: Environmental Targets**

Targets cover: climate change, water and waste, sustainable agriculture, human rights, other Social targets, and Governance targets. Full details are available from the ESG Report [https://www.bat.com/group/sites/UK\\_9D9KCY.nsf/vwPagesWebLive/DOAWWEKR/\\$file/BAT\\_ESG\\_Report\\_2020.pdf](https://www.bat.com/group/sites/UK_9D9KCY.nsf/vwPagesWebLive/DOAWWEKR/$file/BAT_ESG_Report_2020.pdf).

## **A2: Non-Combustible consumers**

The number of consumers of Non-Combustible products is defined as the estimated number of Legal Age (minimum 18 years, US: 21 years) consumers of the Group's Non-Combustible 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 Non-Combustible products is derived from volume sales of consumables and devices in such markets, using consumption patterns obtained from other similar markets with consumer tracking (utilising studies conducted by third parties including Kantar).

The number of Non-Combustible products consumers is used by management to assess the number of consumers regularly using the Group's New Category products as the increase in Non-Combustible products is a key pillar of the Group's ESG Ambition and is integral to the sustainability of our business.

The Group's management believes that this measure is useful to investors given the Group's ESG ambition and alignment to the sustainability of the business with respect to the Non-Combustibles portfolio.