

ESG Report 2022

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Welcome to our ESG Report

Our Purpose

To build A Better Tomorrow™
by **transforming** our **business**
for a **sustainable** future.

We are proud to present our first ESG Report, outlining how sustainability considerations are at the front and centre of our business. This is an important milestone in the Company's corporate reporting journey, aligned with its evolved corporate strategy. The report contains detailed information on policies, management approach, goals and performance for PTC's Environmental, Social & Governance (ESG) priorities.

The report covers the Environmental, Social and Governance scope of Pakistan Tobacco Company Limited for the period from 1 January to 31 December 2022. We are fully aligned to BAT Group's Sustainability Agenda and our focus areas are further refined to deliver national priorities.

BAT Group's Sustainability Agenda



PTC at a Glance

We are the first multinational to be incorporated in Pakistan in 1947. As a subsidiary of BAT Group, we have grown from a single warehouse near Karachi port, to becoming one of the largest Fast-Moving Consumer Goods (FMCG) companies in the country.

The Company is engaged across the crop-to-consumer value chain. We are supported by more than 10,000 contracted farmers to grow tobacco. Post harvesting, our two factories, one in Akora Khattak and the other in Jhelum, process and make the finished good which is then distributed pan-Pakistan.

In 2019, we embarked on a journey to transform from a single category business to a multi category business by launching our modern oral product, Velo. We are the third largest modern oral market by volume across the BAT Group. We have also established a state-of-the-art modern oral manufacturing facility in Jhelum which will serve as the exports hub across BAT markets in the Asia Pacific, Middle East and Africa (APMEA) Region.

**First
Multinational
of the Country**



**Largest
Excise
Contributor**



**Largest Private Sector
Afforestation
Programme**
since 1981



**Mobile Doctor
Units**
providing free of cost basic
healthcare to less privileged
since 1985



**Sustainable
Agricultural
Practices**
enhancing farmer livelihoods



**Benchmark
in Corporate
Governance**



**Clean Drinking
Water Initiative**
providing safe drinking
water to fight water borne
diseases since 2014



**8 Global Diversity
and Inclusion
Benchmark
Awards in 2022**



Chairman's Review

Transforming for A Better Tomorrow™



Dear Stakeholders,

Pakistan Tobacco Company Limited (PTC) passionately believes in giving back to the communities and sustainability is at the front and centre of everything that PTC does. The concept of Environment, Social & Governance (ESG) has revolutionised how shareholders evaluate a company's performance and future sustainability. Global businesses are regularly evaluated by their ESG performance, which shareholders refer to for understanding potential sustainability risks to business performance and devising investment strategies. As one of the pioneers of corporate social responsibility (CSR) in Pakistan, with our first initiative dating back to 1981, PTC has gone through a memorable journey to embrace ESG.

Throughout this journey, the Company has led the way, maintaining a strong balance of responsibility towards all of its stakeholders. Over the years, PTC has started a number of ESG projects to support the communities it works with and beyond. This remarkable work includes the introduction of afforestation programmes, safe drinking water projects, mobile doctor units, renewable energy initiatives, good agricultural practices, and many more. Each of these projects has helped improve lives and ensure a more sustainable future.

PTC, in its role as the highest excise contributor in the country, has aligned its ESG initiatives to help the government achieve the SDGs, currently contributing towards eight of the 17 goals. As a responsible company, PTC believes that the business community has a key role to play in helping achieve the necessary sustainable balance of economic growth, environmental protection, and social progress.

Leading from the Front

BAT is transforming its business with its leading purpose - to build A Better Tomorrow™ by reducing the health impact of its business. PTC is playing a key role in ensuring this ambition is achieved in Pakistan. The Company's remarkable performance in developing its Modern Oral Product, Velo, from its introduction in 2019 to becoming the third largest Modern Oral market across the BAT Group by volume in 2022 is a huge feat.

At the same time, the Group is dedicated to putting sustainability at the forefront - driving excellence in environmental management, delivering positive social impact, and embedding robust corporate governance.

PTC pursues the philosophy of sustainable development embedded in our Group's sustainability agenda. We constantly seek to create values for all our stakeholders: for farmers in our supply chain via investing in stable growing areas and supporting higher incomes and better livelihoods; for employees through creating and maintaining a safe working environment and providing them with a dynamic and purposeful place to work.

Acting responsibly and with integrity in everything we do underpins our whole approach and forms the foundation of our culture and values as a company. We regard robust governance as a key element upholding the sustainable, long-term growth of our business. This will enable us to achieve our ambitious targets and make continued progress.

Sustainable Future

At PTC, we strive to create optimum value for our stakeholders by undertaking various initiatives and setting clear goals. This strategy translates as a novel investment opportunity with strong financial returns, along with a positive impact on the environment and society.

I am confident that the interventions we have done in 2022 have positioned the Company for resilience and continued growth. We remain committed to emulating global best practices in governance, sustainability and corporate citizenship.

Zafar Mahmood
Chairman

Managing Director & CEO's Review

Building A Better Tomorrow™ with sustainability at our core



Dear Stakeholders,

Welcome to our first ESG Report.

PTC aims to drive BAT's corporate purpose for A Better Tomorrow™ by delivering on the tobacco harm reduction agenda, accelerating its carbon reduction efforts, and delivering a positive social impact.

I am proud of how much PTC achieved in 2022 and looking forward to taking PTC's ESG achievements to new heights in the years to come.

Brands with Purpose

This has been a pivotal year in establishing strong foundations for the Modern Oral business in Pakistan, and in turn, a step forward in achieving the Group's A Better Tomorrow™ vision focused on reducing the health impact of the business. Since being launched in 2019, our Modern Oral product, Velo, has achieved significant growth and has closed the year with 420 Mn pouches i.e. 126% growth vs. FY 21 – making Pakistan the third largest and fastest growing Modern Oral market globally by volume.

Excellence in Environmental Management

With a clear strategic purpose to build A Better Tomorrow™, PTC is transforming its business and aims to achieve carbon neutrality (Scope 1 and 2) across our direct operations by 2024.

In 2022, more than 14,000 GJ of energy was produced through our more than 3.5 MW solar energy initiatives. On top of this, PTC purchased Pakistan's first-ever International Renewable Energy Certificates (I-RECS).

We also achieved Alliance for Water Stewardship (AWS) certification for our Akora Khattak Factory, reiterating our commitment to responsible water stewardship.

Delivering A Positive Social Impact

As we work to build A Better Tomorrow™, it is our people who are at the heart of the transformation we are undertaking. Diversity, Equity, and Inclusion remain at the forefront as we make sustained efforts to increase the proportion of women participation across our business.

In 2022, we trained more than 7,000 families across all Leaf Growing Areas and helped them develop an awareness of Child education, Farm Economics, Farm Safety, and Kitchen Gardening. PTC is continuously providing end-to-end farmer facilitation for yield, quality improvement, and mechanization services.

PTC, being a leader in sustainable agriculture and water stewardship in Pakistan, provided 215 free-of-cost units of High-Efficiency Drip Irrigation Systems to its farmers in water-scarce leaf-growing areas. This initiative helped to save 231 Mn liters of water and made it available for other crops.

In 2022, we also amplified our key community projects, increasing their positive impacts in all the communities in which they operate. PTC expanded its fleet of Mobile Doctor Units (MDUs) from 7 to 13 and increased its outreach by providing free-of-cost basic healthcare consultations, treatment, and medication in 11 different districts of KPK & Punjab to more than 150,000 patients. We continue to maintain 27 water filtration

plants across 9 districts providing safe and clean drinking water to the less privileged sections of society.

Robust Corporate Governance

The Company's decision-making, strategic actions and operations are underpinned by its commitment to deliver with integrity, which ensures that the highest standards of transparency, integrity and accountability are maintained.

It is essential for the long-term success and sustainability of a business and ensures that the company's management is accountable to its stakeholders and that their interests are protected. We are committed to strong adherence to our Standards of Business Conduct (SoBC), which demonstrate our commitment to deliver our business results with high standards of integrity.

Confidence in our future

Having a strategy that places sustainability at its core is something I am proud of. That is what I believe, and I'm confident we will be able to deliver A Better Tomorrow™ for everyone involved.

Ali Akbar
MD & CEO

Our Sustainability Journey

1980 - 2022

1980-2000

- Launched our flagship CSR initiative, Afforestation programme in 1981, distributing free of cost saplings to individuals and institutions. It is currently the largest private sector afforestation programme in the country
- Introduced a fleet of Mobile Doctor Units in 1985, providing free of cost treatment to patients in leaf and trade areas
- Launched our agronomy drive to promote good agricultural practices



2001-2010

- Embarked on the Farmer Loyalty Program, a flagship programme focusing on recognition and rewards to further cement its relation with farmers



2011-2020

- Partnered with NRSP in 2011 on block plantations with our contracted farmers to ensure sustainable wood sources
- Established 4 water filtration plants in 2014, providing access to clean and safe drinking water
- Distributed and assembled 110 solar kits in a far-fetched area of Khyber Pakhtunkhwa (KPK) province in partnership with the provincial government in 2017
- Provided 215 High Efficiency Drip Irrigation Units free of cost in water scarce areas of KPK which helped to save 231 Mn Litres of water
- Provided 1000 KVA Genset support for the Govt. lift irrigation scheme, benefiting over 1000 Ha of land under tobacco and other food crop cultivations
- Provided a support of PKR 28 Mn for the hail affected growers in Mansehra in 2020
- Extended 1.9 Billion PKR interest free crop input loans to tobacco farmers, supporting crop productivity enhancements



2021-2022

- First aerial seeding project by private company in Pakistan dispersing over 55Mn seeds of indigenous species over protected forest reserve
- Planted and distributed over 55 Mn saplings, taking the total number over 150 Mn since the inception of this programme in 1981
- Installed 3.4+ MW Solar Project in both the factories in Akora Khattak (AKF) and Jhelum (JF)
- First ever I-Recs purchase in Pakistan
- Akora Khattak Factory recieved the first AWS certification in BAT's Middle East, South Asia & North Africa area
- Constructed and operationalized 27 Water Filtration Plants across the country
- Converted 41% of our farmer's barns into energy efficient Turbo barns
- Recycled 6.4 Tons of hazardous waste collected from its contracted farmers with over 90% farm coverage
- First industry - academia collaboration for joint R&D projects focusing on areas of climate change, waste management, and water stewardship



Overview

Our ESG Roadmap

Our ESG Roadmap contains key goals and targets, metrics, current performance and prior-year comparatives

Material Topic		BAT's Targets and Goals	Metrics	PTC's Performance			Status
				2022	2021	2020	
E	Climate Change	Carbon neutral direct operations by 2030 comprising Scope 1 & 2 GHG emissions	Total scope 1 and 2 (Market-based) CO2e emissions (thousand tonnes)	19,918	22,838	20,610	●
			Scope 1 CO2e emissions (thousand tonnes)	10,233	10,554	8,994	●
			Scope 2 CO2e emissions ¹ (thousand tonnes)	9,685	12,283	11,616	●
		Increase in the amount of renewable energy we use to 50% by 2030 (updated target)	Total energy use within the organisation (GJ)	286,816	291,676	250,297	●
			Renewable energy use (GJ)	20,480	4,256	876	●
			Renewable energy use as % of total direct energy use	71%	1.5%	0.3%	●
	Circular Economy	<1% Waste to Landfill (updated target)	Total waste generated (tonnes)	9,142	9,084	7,177	●
			Waste to landfill (tonnes)	15	116	79	●
			% waste to landfill	0.17%	1.28%	1.10%	●
		90% recycling rate of total waste generated by 2025 (updated target)	Total waste recycled (tonnes)	8,512	8,409	5,991	●
			% waste recycled	93.1%	92.6%	83.5%	●
	Water	35% less water use by 2025	Total water withdrawn (cubic meters m3)	154,466	162,798	148,076	●
			% reduction in water withdrawn vs 2017 baseline	26.3%	22.33%	29.35%	●
		30% water recycling rate by 2025	Total water recycled (cubic meters m3)	110,003	105,139	87,461	●
			% of total water recycled ²	41.6%	39.2%	37.1%	●
		100% of operations sites to be Alliance for Water Stewardship (AWS) certified by 2025	Number of sites AWS certified in 2022	1	0	0	●

1) Scope 2 Market Based emissions and Scope 2 Location Based emissions are the same

2) Formula for calculating % of water recycled = Total Water Recycled/(Total Water Recycled + Total Water Withdrawn)

● On track or met target ● Acceleration required ● Ongoing focus area

Material Topic		BAT's Targets and Goals	Metrics	PTC's Performance			Status
				2022	2021	2020	
S	Farmer Livelihoods	Committed to enabling prosperous livelihoods for all farmers in our Tobacco Supply Chain ³	% of farm business management training coverage	100%	100%	100%	●
			% farmers in our Tobacco Supply Chain ³ reported to grow other crops for food or as additional sources of income	86.00%	91.00%	90%	●
	Corporate Social Investments	Support through charitable donations and community investment programmes	Total contributions (PKR in Mn's.)	116	190	286	●
	Human Rights	Aiming for zero incidents of child labour by 2025	% of farms with incidents of child labour identified	0.16%	0.01%	0.06%	●
			% of farmers reported as having access to at least one type of grievance mechanism	100%	100%	100%	●
	Health & Safety	Zero Accidents Group Wide	Number of work related accidents resulting in fatalities, injuries & lost workdays	0	1	1	●
		Aiming for full coverage of farmers and workers with sufficient PPE for agrochemical use and tobacco harvesting	% of farms reported to have sufficient PPE for agrochemical use and harvesting	100%	100%	100%	●
	People, Diversity & Culture	By 2025 increase the proportion of women in management roles ⁴ to 45% and on senior leadership teams to 40% ⁵	% of female representation in management roles	24%	21%	20%	●
			% female representation on senior leadership teams	14%	4.60%	8%	●
	Responsible Marketing	Full compliance aiming for full compliance with marketing regulations	Incidents of non-compliance with marketing regulations resulting in a fine or penalty ⁶	0	-	-	●
G	Ethics & Integrity	100% SoBC compliance aiming for full adherence to our Standards of Business Conduct (SoBC)	Number of established SoBC breaches	6	3	-	●
			Number of disciplinary actions taken as a result of established SoBC breaches that resulted in people leaving BAT	1	0	-	●

3) 'Tobacco Supply Chain' refers to the tobacco supplied by our directly contracted farmers who participate in our annual Thrive assessment.

4) The number of female management-grade employees, as a percentage of the total number of management-grade employees. Management-grade employees include all employees at job grade 34 or above, as well as any global graduates.

5) Members of senior leadership teams are defined as any employee who is either a direct report of a Management Board member or a direct report of a Management Board's direct report.

6) This is a new GRI-aligned metric for FY2022, with a new reporting system. Although similar data exists for FY2021 & 2020, because the reporting methodology has changed, prior data is not directly comparable.

● On track or met target ● Acceleration required ● Ongoing focus area

Our Contribution to the SDGs

UN Sustainable Development Goals (SDGs) bring together governments, civil society and the private sector to create a sustainable future. The BAT Group has mapped its Sustainability Agenda to the eight SDGs that are most relevant to its business and stakeholders, demonstrating its contribution to these crucial global priorities for 2030. In the following pages, we provide highlights of how our Company's strategy is aligned with each identified SDG in Pakistan.





Strategic

3 GOOD HEALTH AND WELL-BEING



Tobacco Harm Reduction



People, Diversity and Culture

BAT Group is working to reduce the health impact of its business by creating new products, backed by science which offer its consumers with less risky alternatives^{*} and we are a torch-bearer for this vision in Pakistan. Our Company embarked on its New Category journey in December 2019, by introducing Velo as a modern, premium and innovative nicotine products in Pakistan. It also launched the first Tobacco Harm Reduction campaign to actively educate adult nicotine consumers on the reduced risk[†] nature of new category products compared to smoking.

12 RESPONSIBLE CONSUMPTION AND PRODUCTION



Circular Economy



Responsible Marketing and Transparent Communications

Circularity is at the core of BAT Group's stance to deliver sustainability. We are continuously working towards eliminating unnecessary Single Use Plastics (SUP) from our packaging through various initiatives as well as increasing recycling to drive circularity across all operations.

Our approach to responsible marketing is to market tobacco and nicotine products to adult consumers only and ensure our communications comply with Youth Access Prevention (YAP) programs.

13 CLIMATE ACTION



Climate Change



Biodiversity and Ecosystems



Circular Economy



Water

BAT Group is committed to addressing climate risks and opportunities across its operations and value chain, to ensure the long-term sustainability of its business. At group level, BAT aims to be carbon neutral across its own operations by 2030, and across its value chain by 2050.

We are actively reducing our carbon footprint by reducing emissions across our operations and supply chains as well as increasing reliance on renewable energy. We are also amplifying our afforestation efforts to achieve our carbon neutrality and Net Zero deforestation ambition.

^{*} 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.



Priority

8 DECENT WORK AND ECONOMIC GROWTH



Farmer
Livelihoods



Human
Rights

We are committed to working to enable prosperous livelihood for all farmers in our Tobacco Supply Chain by providing them crop inputs, farming best practices, and technology transfer to improve crop yields and diversification.

We are also committed to respecting human rights across our supply chain and taking measures to make progress towards our goal to aim for zero child labour through proactive monitoring and awareness programmes.

9 INDUSTRY, INNOVATION AND INFRASTRUCTURE



Tobacco Harm
Reduction



Circular
Economy



Farmer
Livelihoods

Using data and foresights, we are deploying technologically enabled solutions in our operations and supply chain, to reduce the health and environmental impact of our business.

Through the digital Farmers' Sustainability Management (FSM) app, PTC provides an efficient farm monitoring solution. Furthermore, it encourages farmers to improve their livelihood through profitable combination of crops, productivity enhancements and profitable combination crops such as seeds for Mustard, Maize and Mushroom spawns to augment farmer income thus making them sustainable in the long run.

16 PEACE, JUSTICE AND STRONG INSTITUTIONS



Ethics and
Integrity

We are committed to showcasing the highest standards of business integrity through our Standards of Business Conduct and same are reflected in our Suppliers Code of Conduct. Applying SoBC policy, helps minimise unethical behaviour such as corruption, money laundering, bribery, and various others.



Localised



People, Diversity
and Culture



Farmer
Livelihoods

Aligned with our Group's Diversity, Equity & Inclusion (DE&I) agenda, we have embedded multiple initiatives and are committed to promoting equality across our business. .

Using BAT Group's 'Thrive' farmer livelihoods programme we strive to foster an inclusive culture throughout the Company which is crucial for inclusive and sustainable economic growth especially in our rural communities.



Biodiversity and
Ecosystems



Water

We have a long and proud history of working directly with our contracted farmers to advance sustainable agriculture practices and protect natural resources. This includes offering a range of best practice information and training, and introducing farmers to sustainable methods and technologies.

We are committed to Net Zero Deforestation across our value chain as well as ensuring the forest cover of Pakistan remains intact and increases over time.

Policies and Procedures

BAT Group's policies (indicated by * in the table below) are endorsed at BAT Group's Board level and are implemented for application by all Group companies. These policies are underpinned by a range of principles, statements, operating procedures, standards and guidelines to help support effective implementation of our commitments. Together, this framework supports the effective identification, management and control of risks and opportunities for our business in these and other areas.

These policies and procedures have been implemented by our Company and are localised for the Company as appropriate in line with Pakistan's Government regulations. Furthermore multiple other policies have been adopted from the Group. All of these are stated below:

Policies and Procedures	Summary of areas covered	Key stakeholder groups
Standards of Business Conduct (SoBC)* Available at www.bat.com/principles	Sets out our policies for: Speak Up, respect in the workplace, human rights, health, safety and welfare, environmental, lobbying and engagement, conflicts of interest, anti-bribery and corruption, gifts and entertainment, political contributions, community investment, protection of corporate assets and financial integrity, competition and anti-trust, anti-money laundering and tax evasion, sanctions, anti-illicit trade, data privacy and information security.	Our People Governments and Wider Society
Supplier Code of Conduct*‡ Available at www.bat.com/principles	Covers: compliance, human rights, environmental sustainability, marketing and trade and business integrity.	Customers Suppliers
Environment Policy*‡ Available at www.bat.com/principles	Our commitments to following high standards of environmental protection, adhering to the principles of sustainable development and protecting biodiversity, covering our direct operations and supply chain, including agricultural, manufacturing and distribution operations. Our Environment Policy was revised in 2022 to include an assessment of our value chain impacts, our circular economy principles, our new biodiversity commitments and information on metrics and targets.	Our People Suppliers Customers Governments and Wider Society
International Marketing Principles (IMP)* Available at www.bat.com/principles	Govern marketing of all our products and include the requirement for all our marketing to be targeted at adult consumers only.	Consumers Customers Suppliers
Youth Access Prevention (YAP) Guidelines‡	Supports our strict IMP requirement to market our products to adult consumers only by setting out requirements for retailer-facing YAP activities to be carried out in all our markets.	Consumers Customers
Biodiversity Statement‡	Sets out the principles we follow to manage our impact on biodiversity and the wider environment.	Suppliers Governments and Wider Society

‡These Policies and Procedures have been localised to PTC.

Preference

Reducing the Health Impact of Our Business

We have a clear purpose to build A Better Tomorrow™ by reducing the health impact of our business. That's why we are changing: creating new products, backed by science and industry-leading standards, that provide adult smokers with less risky alternatives*†.



* 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.

Note: The product showcased represent the new category products which are available at the BAT Group level.

Reducing the Health Impact of our Business

H

We have a clear purpose to build A Better Tomorrow™ by reducing the health impact of our business. That's why we are changing: creating new products, backed by science and industry-leading standards, that provide adult smokers with less risky alternatives



Consumer Choice

BAT Group's Approach

Smokers are most likely to switch to less risky alternatives*† when they find a product that meets their preferences. That is why BAT Group offers a multi-category portfolio of New Category products tailored to meet these preferences. Its portfolio for adult consumers includes Vapour Products, Tobacco Heating Products and Modern Oral nicotine pouches. New or enhanced products are backed by science and industry-leading standards. BAT Group utilises its deep consumer insights to anticipate trends in order to meet evolving consumer needs through the innovative work of our state-of-the-art R&D centres in Southampton, UK and Winston-Salem, U.S. This is also supported by its new Global Device Development Centre in Shenzhen, China.

PTC's 2021-22 performance

- Pakistan is now 3rd largest modern oral category by volume across BAT globally
- 420 Mn pouches of Modern Oral product sold i.e. 126% growth vs. FY 2021



World-Class Science

World-class science is crucial to providing a robust evidence base to substantiate the role of New Category products in tobacco harm reduction. BAT Group applies its robust nine-step risk assessment framework to evaluate the emissions, exposure and risk of our products. For over 60 years, R&D has been a critical part of its business investing more than £300 million a year in R&D to deliver innovations that satisfy or anticipate new consumer preferences. The main focus of R&D investment is on developing and scientifically substantiating New Category products to assess their reduced-risk potential. The Group aims to follow best practice and adhere to high standards of governance and ethics in all its scientific research.



Standards and Regulation

Access and availability of less risky*† products depend on having the right regulatory and market conditions. High standards and responsible industry practices are also key. The Group believes a stakeholder-inclusive, whole-of-society dialogue that includes regulators, policymakers, consumers and the industry is key to developing effective policies that can accelerate tobacco harm reduction as quickly as possible. Regulation around New Category products should be founded on science, not opinion.

- Pakistan became the first market globally to launch National Standards on Modern Oral, Vaping products and e-liquids

* 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.

Harm Reduction



**Consumer
Choice**



**World-Class
Science**



**Standards and
Regulation**

BAT's Group Goals

£5 billion

in revenues from New Category
products by 2025

50 million

consumers of our non-combustible
products by 2030

Stakeholder groups



Consumers



Society



Employees



**Shareholders
& Investors**

Why Tobacco Harm Reduction Matters

We know combustible products pose serious health risks. The only way to avoid those risks is not to start smoking or to quit. Yet more than 1.3 billion people today continue to smoke¹. Tobacco harm reduction is a well-recognised public health strategy that aims to minimise the harm caused by combustible cigarettes by encouraging adult smokers, who would otherwise continue to smoke, to switch completely to scientifically substantiated, reduced-risk[†] alternatives.

Over 100 million² adults worldwide are now using reduced-risk[†] products as an alternative to cigarettes. For those who would otherwise continue to smoke, we encourage making the switch by providing consumers with a range of scientifically substantiated reduced-risk[†] alternatives to smoking that deliver comparable satisfaction in nicotine delivery, use and sensorial aspects.

For example, some studies suggest that Vapour products are more successful than nicotine replacement therapy in helping people stop smoking, by providing a satisfactory alternative to cigarettes³ despite not being smoking cessation products nor marketed as such.

These products need to be supported by world-class science and industry-leading product safety and quality standards. Responsible, science-backed, and well-thought-through regulation is also crucial for enabling adult smokers to access and enjoy reduced-risk[†] products with confidence, while allowing governments and health bodies to know that these products are manufactured to high product safety and quality standards.



1) WHO: Tobacco, Key Facts. May 24 2022 (who.int).

2) The Global State of Tobacco Harm Reduction (GSTHR) Briefing Papers: February 2022. 82 million vapers worldwide in 2021: the GSTHR estimate — Global State of Tobacco Harm Reduction.

3) Cox et al (2019) Addict Behaviour Report and. Hajek et al. (2019).

* 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.

Our New Categories Portfolio



Modern Oral Products

Under the Velo brand, tobacco free oral pouches contain high purity nicotine, water and other high quality ingredients. Modern oral products represent an exciting opportunity to offer a device-free alternative to adult smokers.



One of the best solutions for smokers is snus (an oral smokeless tobacco product which is usually placed behind the upper lip), sold in Scandinavia, where they have reduced the number of smokers to 5%.

Dr David Khayat

Former president of France's National Cancer Institute and head of medical oncology at the Clinique Bizet, Paris, 2022

The Scientific Evidence*

Modern Oral nicotine pouches are a relatively new product category, which build upon the extensive scientific evidence available for snus. However, Modern Oral products are designed to offer adult consumers an improved, tobacco-free reduced-risk[†] alternative.

The weight of laboratory chemical studies for Velo, our flagship Modern Oral brand, show the pouches produce substantially lower levels of toxicants than is contained in cigarette smoke and lower levels than in snus.

The weight of evidence suggests Modern Oral nicotine pouches have a profile that is comparable to nicotine replacement therapy products (NRT).

In 2022, results from an innovative crosssectional clinical studyⁱ of Veloⁱⁱ were published in *Biomarkers Journal*. The study shows Velo consumers had significantly better results for several indicators linked to smoking-related diseases compared with smokers. In the study, consumers exclusively using Velo for over six months had significant favourable differences in several biomarkers of exposure and biomarkers of potential harm relevant to smoking-related diseases compared to the adults who smoked.

These results are very important for Velo and the Modern Oral nicotine product category. They build on the extensive scientific evidence, including epidemiological data, that already exists for snus. The results also add to the weight of evidence that supports our belief that Velo is a reduced-risk[†] product for smokers who completely switch from cigarettes as compared to continued smoking.

Our Velo Journey

We successfully embarked on the modern oral journey in December 2019, by introducing Velo as a modern, premium and innovative offer. The BAT Group's

guiding principles helped us target the right consumer, focus on relevant consumer channels, and create impactful conversations through generating contemporary content. We piloted in two test markets – Karachi and Lahore. Velo was able to emerge as a disruptive force in the market.

Key Milestones:

- Launched PTC's first Tobacco Harm Reduction campaign to actively educate adult nicotine users on the potentially reduced risk features of new category products.
- Focused and consumer centric strategic interventions enabling rapid growth momentum via introduction of new flavors and nicotine variations, alignment with global packaging, exploring innovative formats
- Continue to transform our digital activations footprint – with the highest digital impressions and engagement globally for BAT
- Pakistan became the first market globally to launch National Standards of Modern Oral, Vaping products and e-liquids

Made in Pakistan

Made in Pakistan initiative was first launched in 2018 when our business started exports of FMC to other BAT entities. We also manufacture Velo modern oral nicotine pouches fully in Pakistan – making it the first state of the art facility meeting International standards in the BAT Group



Modern Oral Factory in Jhelum

APMEA region. The local manufacturing has not only resulted in significant manufacturing cost reduction for the business but has also improved freshness of product and greater flexibility. Above all, it opens doors to the next wave of Made in Pakistan as PTC is geared up to export modern oral pouches from Pakistan to other BAT markets across the APMEA region.

2022 Progress and Performance

This has also been a pivotal year in establishing strong foundations for the Modern Oral business in Pakistan, and in turn a step forward in achieving BAT's Better Tomorrow[™] Vision for emerging markets. We remain committed to providing adult nicotine users the option to switch to scientifically substantiated, reduced-risk[†] alternatives.

Pakistan is now the third largest Modern Oral market (by volume). We have rapidly achieved national coverage. Enabled by powerful, consumer-centric digital activations, Velo has reached a monthly volume in the country of over 40 million pouches.

Our progress in developing the Group's new category portfolio over the past years has fueled our ambition to expand our alternative product line in 2023 in Pakistan.

ⁱ Azzopardi, D. et al (2022). Assessment of biomarkers of exposure and potential harm, and physiological and subjective health measures in exclusive users of nicotine pouches and current, former and never smokers.

ⁱⁱ The study was conducted using Lyft, since re-branded as Velo.

* 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.

Resourceful

Environmental Excellence

We rely on natural resources to run our business. Securing them and minimising their use is critical to delivering our strategy. We also have a responsibility to the wider society and that's why we are committed to creating A Better Tomorrow™.



Excellence in Environmental Management

E

Securing resources in a climate-resilient supply chain is key to our business strategy. That's why we're driving environmental excellence.



Climate
Change

BAT Group's Approach

Climate change is a global issue which requires global solutions. That's why our integrated strategy focuses on building climate resilience across our business and supply chains.

BAT Group's goals and ambitions

- 50% reduction in Scope 1,2 & 3 CO₂e emissions by 2030 vs 2020 baseline
- Carbon neutral operations (Scope 1 and 2) by 2030
- Net zero value chain (Scope 1, 2 and 3) by 2050
- 50% renewable energy use by 2030

PTC's 2022 performance

- First-ever iRECs purchase in Pakistan - 100% purchased renewable electricity in Jhelum Factory (JF) Modern Oral Production Facility
- Biomass Boiler feasibility conducted
- Green distributor premises pilot
- Turbo barns with 41% contracted barns



Circular
Economy

Circularity is at the core of our approach. That means less plastic, less waste and more materials recovery, with products that are designed with improved circularity.

- -25% reduction in waste generated by 2025 vs 2017 baseline
- 90% recycling rate of waste generated by 2025
- <1% waste to landfill by 2025

- Zero-waste-to-landfill for 100% Manufacturing Sites
- 93% waste recycling rate achieved



Water

We're using less water by eliminating losses and increasing recycling. We're also helping our contracted farmers find more sustainable irrigation methods, while promoting local access to clean water.

- 35% reduction in amount of water withdrawn in our direct operations by 2025 vs 2017 baseline
- Increase amount of water recycled in our operations to 30%
- 100% of operations sites to be Alliance for Water Stewardship (AWS) certified

- Akora Khattak Factory (AKF) AWS Core Certification & JF AWS Certification Audit
- JF #2 & AKF #5 in Water Recycling across BAT Group
- Monitoring 100% contracted farmers data for use of water on tobacco crop
- Laser Land levelling initiated at 7% contracted hectares
- Alternate Furrow Irrigation at 12% contracted hectares



Biodiversity and
Ecosystems

Working with our contracted farmers, we can protect biodiversity and forest resources. And we aim to use only paper and pulp-based packaging materials that are sustainably certified.

- Net zero deforestation of managed natural forests in our paper, pulp and Tobacco Supply Chain¹
- Net positive impact on forests in our Tobacco Supply Chain¹ by 2025
- 100% of wood used by our contracted farmers for tobacco curing to be from sustainable sources

- Net zero deforestation achieved by 100% contracted farmers
- 1.7 Million trees and saplings planted
- 100% sustainable wood used by contracted farmers in curing
- High Wide Ridge with 20% hectares of total contracted hectares

1) 'Tobacco Supply Chain' refers to the tobacco supplied by our directly contracted farmers who participate in our annual Thrive assessment.

Climate Change

Our Approach at a Glance

Addressing climate risks and opportunities across our value chain is key to the sustainability of our business. We have set ourselves an ambitious target to reach carbon neutrality (Scope 1 & Scope 2) by 2024 in our manufacturing, and are already making great progress through:

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

Why Tackling Climate Change Matters

Climate change directly impacts the natural environment and communities in which we operate. To secure access to natural resources, the Company needs to build a climate-resilient business and work with its suppliers closely to address any risks arising from climate change. These risks are increasingly getting more complex, with potential impacts on crop yields, disruption to distribution networks and the livelihoods of communities, and

reduced access to drinking water – a fundamental human right. While some impacts of climate change will be common everywhere, it is essential to understand and manage localized risks. Supporting people in its supply chain and preparing for the future are vital aspects of our business' sustainability.

Policies and Accountability

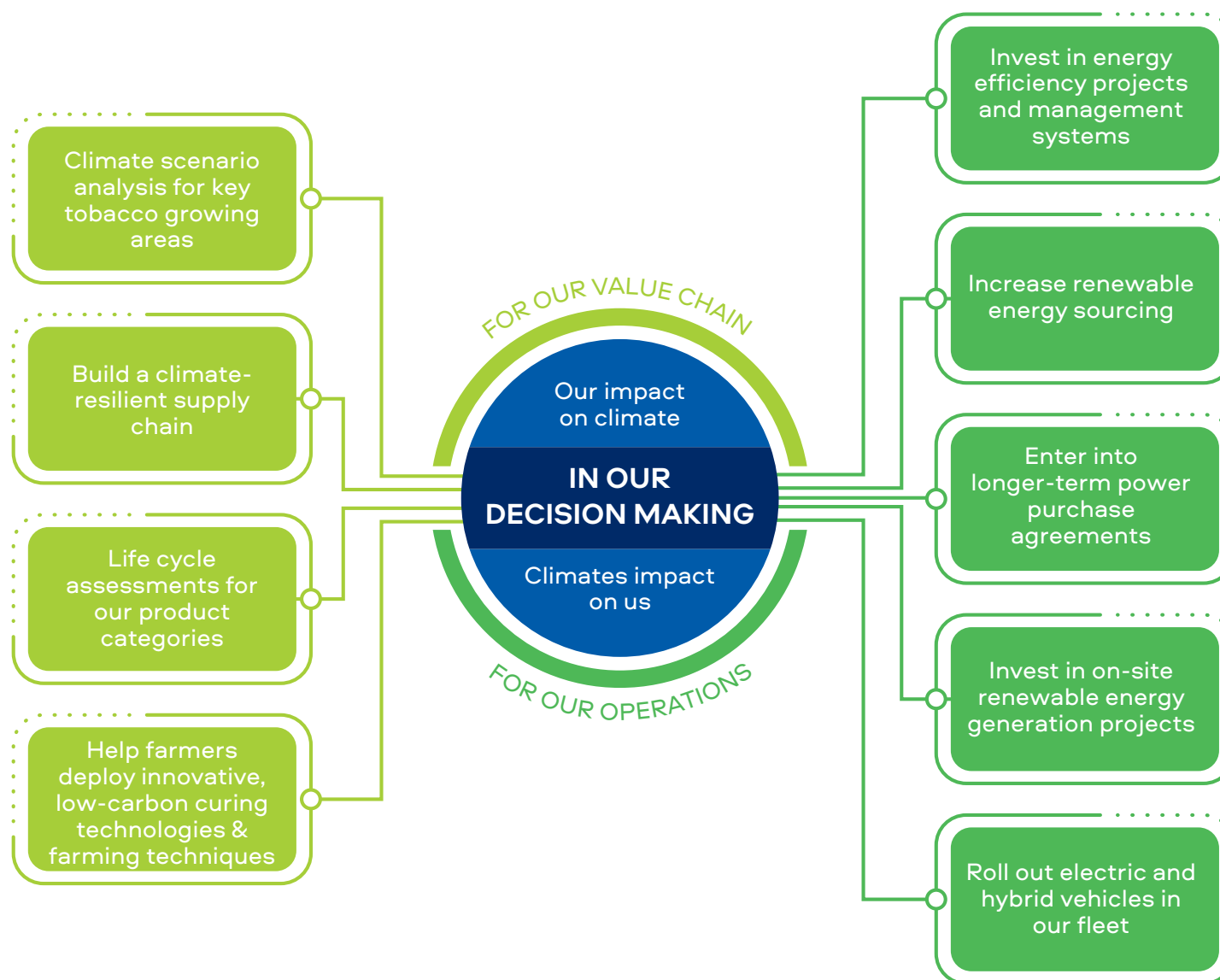
BAT Group's **Environmental Policy** adopted by us outlines our commitment to high standards of environmental protection,

adhering to the principles of sustainable development and protecting biodiversity.

We have a well-established **Environment, Health and Safety (EHS) management system** based on international standards, which supports the implementation of the overarching Environmental Policy. The Group's **Supplier Code of Conduct** which we have adopted defines the minimum standards expected of our suppliers and is incorporated into their contractual arrangements.



PTC's strengthened climate strategy



Management Approach

Being a business that depends on natural resources, we are accelerating our environmental excellence agenda as the business transforms itself to build A Better Tomorrow™. Delivering against robust carbon-reduction targets have been a focus for the Company since 2000. Still, the business is aware that a bold ambition requires an accelerated approach to emissions reduction and adopting various climate solutions. We are already stepping up on-site energy generation across our operations and advancing into purchasing renewable energy.

Our approach to BAT Group's Net Zero Target

Decarbonizing our business activities

We use energy efficiency assessments to identify opportunities to reduce emissions, such as by installing on-site renewable energy generation. We already have a strong portfolio of low-carbon energy solutions, and we continue to build on it. We have delivered on-site solar energy generation at our factories and went beyond to cover some of our major Secondary Logistics warehouses and Leaf Buying Depots. With more installations planned across factories, warehouses and sales offices, 2023 will ensure we continue to reduce our carbon footprint.

We are formalizing a requirement in our Climate and Energy Efficiency Standard for carbon impact calculations to be done for all capital expenditure engineering proposals.

Management Approach (continued)

We continue to optimize our logistics and fleet. Some of our key initiatives include improving vehicle performance and fuel efficiency. Each of the vehicles has a telematics system that monitors driver behavior and alerts both the driver and management to any driving patterns that consume excessive fuel.

We have introduced hybrid vehicles in a selection of areas this year and will continue to progress. We are also training our procurement department to enable them in identifying low carbon decision-making opportunities that will help reduce carbon emissions in our supply chain.

Decarbonizing our value chain

Addressing impacts in our supply chain is also crucial for building a climate resilient business. We are helping our contracted farmers to reduce emissions through more efficient curing interventions such as turbo barns, smarter use of fertilizers and increasing yields.

- **Improving energy efficiency**

The Company has transformed the design of its leaf curing barns and use a technique called 'Turbo Barns' that is aimed at efficient curing process which contributes in reduced wood fuel use delivering saving potential of 15%. The technology works with slight adjustments in flue pipe design resulting in improved heat retention inside barn. This technology not only helps in wood fuel reduction but also save time and improve quality of cured tobacco.

As a futuristic approach, Loose Leaf barns trials are being conducted which is an automated technology delivering significant saving in wood fuel, labor cost and improved quality. Glass roof barn is a hybrid intervention tested to utilize solar heat for curing barn with a potential saving of 28% in wood fuel.

- **Eliminating use of non-renewable fuels used in curing**

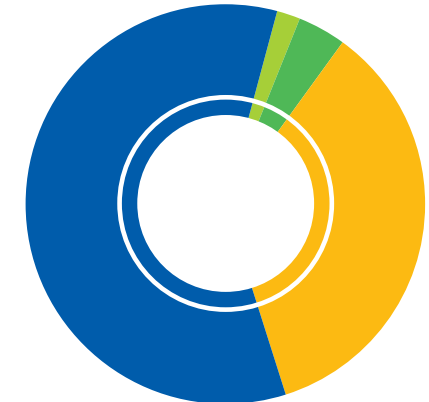
We are working to explore possibilities of using alternate fuels to replace wood for tobacco curing. There are few interventions in place where different products are being tested to develop a suitable replacement and supply chain for the alternate fuels. Biomass and bagasse pellets were tested in 2021 as part of trials where encouraging results were obtained, and we are in process to further analyze the product efficacy and work on developing local supply chains for the products.

PTC's Scope 1 Breakdown - 2022



Akora Khattak Factory & GLT	50%
Jhelum Factory	32%
Trade Marketing & Distribution	14%
Leaf	3.7%

PTC's Scope 2 Breakdown - 2022



Akora Khattak Factory & GLT	58%
Jhelum Factory	39%
Trade Marketing & Distribution	2%
Leaf	1%

Our Jhelum Modern Oral Facility is

100%

Powered by renewable electricity

Management Approach (continued)

Climate-related risks

In 2020, to support the Group-wide review an independent study on the risks of climate change on tobacco leaf growing was carried out to model material risks to the Groupup to 2050.

Accorindly, we have updated and expanded our internal environmental reporting tool to capture climate change risks and opportunities from its reporting sites.

To effectively manage climate-related risks, we leverage input from various functions within the business. These include EHS, Leaf, Product Development, Manufacturing, Procurement, Finance and Marketing. A dedicated team looks after the trends of climate change and in the case of adverse climate conditions like hailstorms that destroy tobacco crops, provide farmers with financial and technical support to overcome the losses.

Metrics and targets

We have a set of environmental performance targets, in line with BAT Group's global targets. Our Managing Director has the ultimate responsibility for the site performance delivery and also ensure we are on-track to achieve these targets. These targets are incorporated into personal objectives of employees involed in site performance delivery and can have an impact on the performance-based incentives.

2022 Progress and Performance

PTC made the first ever local I-RECS purchase in Pakistan, showing its commitment towards Scope 2 decarbonisation and spearheading the agenda across the country. Despite challenges such as limited knowledge about I-RECS and the absence of registered suppliers, PTC was able to drive the registration of the consultants through ardent market research and efficient stakeholder management. PTC's Velo factory, has the distinction of being the first modern oral plant to be fully powered by rewevable electricity in the BAT world.

PTC has also initiated the process of converting its remaining 7 leaf buying centers and 2 leaf regional offices to solar power, with the completion of this, all of its leaf operations will be powered by solar energy.



PTC has also initiated the transition of its finished goods warehouses (secondary warehouses) to solar power whereby the FG warehouse of Lahore, Sukkur, Hyderabad and Multan have already been completed, and more conversions are planned for the next years.

Moreover, while PTC is inducting renewable energy in its portfolio, it is also reducing its overall energy demand by several energy efficiency initiatives including power factor correction panels, cooling network optimizations, compressed air network efficiency improvements.

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

tCO₂e Scope 1 & 2 Emissions

BAT Group's Target: Reduce absolute Scope 1 and 2 CO₂e emissions by 50% by 2025.

PTC's Contribution

(CO₂e thousand tonnes)



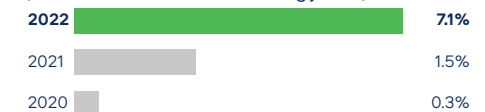
Renewable energy

7.1% of total direct energy use at our direct operations sites in 2022 was from renewable sources

BAT Group's Target: Increase the amount of renewable energy use to 50% by 2030

PTC's Contribution

(as a % of total direct energy use)



Water

Our Approach at a Glance

PTC has a long-established approach to driving water stewardship across its operations and tobacco supply chain. While the tobacco industry is not particularly water intensive, with the changing climate, water scarcity is a growing concern. There is an urgent need to cater to making informed risk-based decisions to effectively manage this essential natural resource. PTC is contributing to this by strengthening how it reviews water risks across its value chain, in line with best practice standards. PTC is using water much more efficiently at its sites.

Why Water Stewardship Matters

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

Policies and Accountability

BAT Group has a number of policies and other types of standards and principles which are implemented for application by all Group companies, including those listed below.

BAT Group's **Environmental Policy** adopted by us sets out its commitment to environmental protection, adhering to principles of sustainable development and protecting biodiversity.

BAT Group's **Supplier Code of Conduct** adopted by us defines the minimum standards expected of its suppliers and is incorporated into its contractual arrangements.

For its tobacco suppliers, this is complemented by PTC's **Leaf Supplier Manual**. It includes requirements around agricultural practices, water protection planning and water extraction for irrigation that BAT Group expects from all its suppliers to follow.

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

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

Management Approach

Driving water stewardship in business operations

Through the long-standing environmental management systems, PTC has been steadily decreasing water use and increasing water recycling for several years.

PTC uses water in its manufacturing and green leaf threshing sites, and to a lesser extent in its offices and distribution sites. Although the manufacturing processes

are not especially water intensive, PTC does operate in water-stressed locations, making water use reduction a high priority for the local environment and the communities it operates in.

Building onto this, PTC's AKF factory has achieved AWS (Alliance for Water Stewardship) certification, using the global benchmark AWS standard 2.0.

The effluent treatment plants installed across PTC's manufacturing sites are playing a key role in driving fresh water use reduction. This treated water is being used in its utilities and ancillary services.

PTC's **Integrated Work Systems (IWS)** help to optimize water use in all of its factories, and sites by implementing a range of initiatives to save water, such as by eliminating leakages, and to increase water recycling, including reusing the water from manufacturing processes for utilities, cleaning and bathroom facilities.

SPOTLIGHT

Syed Asad Ali Shah, Director Legal & External Affairs said,

"PTC recognizes that the looming climate change crisis poses serious threats to the availability and quality of water across the globe. While our industry is not particularly water intensive, the all-pervading impact of climate change and the consequent disruptions in our water ecosystem are challenges to which no entity is immune. So, we are fully aware that effective water stewardship is indispensable for the long-term success of our company and the communities in which we operate."

PTC Achieved

41.6%
Water Recycling Rate in 2022
one of the highest across the BAT Group



SPOTLIGHT

Automated Drip Irrigation System

PTC Introduced a state-of-the-art automated technology in Drip irrigation. The initiative demonstrates Leaf team's futuristic approach in introducing smart and digitized solutions for its tobacco farmers to improve farm productivity and ensure business sustainability.

The technology uses artificial intelligence to operate and control 5 Ha system with a single command. Solar energy is being used to run the system, enabling farmer to save 100% fuel cost and contribute to low carbon emission agenda. The system is operated online using a smart phone application to make it a truly digitized solution for the farmers.

Why Water Stewardship Matters (continued)

Driving water stewardship in supply chain

Water management is vital to sustainable farming, especially as agriculture accounts for nearly 70% of freshwater withdrawals globally¹.

The Company's water stewardship strategy in supply chain is to simultaneously focus on reducing its freshwater demand by recycling water and increasing the efficiency of its water infrastructure.

Drip Irrigation system: We are supporting farmers to adopt sustainable water efficient technology of High Efficiency Drip Irrigation Systems. We have provided 215 drip irrigation units free of cost in water scarce tobacco growing areas to save 231 Mn Liters of water which are also used for other crops.

Water for Life: We have provided 1000KVA Genset Support for lift irrigation scheme in Daggar Village, Buner in 2016. It is benefiting 1000 Ha of arable land on yearly basis, supporting farmer livelihood.

A comprehensive approach to managing water risk

BAT Group's Thrive Programme which has been adopted by us focuses on identifying and addressing long-term risks that could impact on the sustainability of agriculture and farmer livelihoods. These include monitoring and promoting best practice on soil and water management plans, and water use.

We also train our farmers on best practice soil management. The Company reviews the irrigation dependency and offers guidance on how to reduce water use through new techniques and technologies.

2022 Progress and Performance

Cognizant of the growing water crisis, we have been steadily reducing our water use and increasing water recycling for several years through carefully planned and executed upgrades through-out our water infrastructure. Compared to our 2017 baseline, we have now achieved an **annualized reduction of 69 Mn liters of water** in its operations and commercial footprint. Moreover, through innovative engineering, the company is currently **recycling 110 Mn liters of water per annum**.



1) World Development Indicators, World Bank

2022 Progress and Performance (continued)

Moreover, to drive continuous improvement, the company has deployed innovative management systems to manage and optimize water consumption on a day-to-day basis across its manufacturing footprint and by 2025, PTC aims to recycle 50% of its total water usage and decrease its water withdrawal by 35%.

Total water withdrawn

26% lower than 2017 baseline

BAT's Target: Reduce the total amount of water withdrawn by 35% by 2025 vs 2017 baseline.

PTC's Performance (cubic meters)



Water recycled

41.6% in 2022

BAT's Target: Increase the amount of water recycled to 30% by 2025.

PTC's Performance



Tobacco supply chain

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



Circular Economy

Our Approach at a Glance

We are seeking to reduce the environmental impact of our business and generating a competitive advantage with our circular economy strategy. From innovative product design to responsible waste management across our operations circularity runs deep. We are equipping ourselves with insights and innovation, led by a cross-functional leadership team.



Why Circular Economy Matters

By using resources efficiently and in an innovative way, and by making decisions with consideration for the environment, we can address the businesses immediate as well as long term impacts.

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

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

Policies and Accountability

BAT Group's **Environmental Policy** adopted by us outline our commitment to high standards of environmental protection, adhering to the principles of sustainable development and protecting biodiversity.

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

BAT Group's **Supplier Code of Conduct** adopted by us defines the minimum standards expected of our suppliers and is incorporated into their contractual arrangements.

Management Approach

Reducing waste is at the core of the Company's bold stance to deliver A Better Tomorrow™. We are trying to better understand how we can use materials, from life cycle assessments for our products to waste footprints. Still, with innovation driving the transformation of its business, we are stepping up how we approaches the circularity.

This commitment does not only reflect on using less plastic, creating less waste, and recycling more. It also means being smarter in how we produce our products and support our consumers with responsible disposal. Leading initiatives such as the 'Take Back scheme' where a key market was

chosen as a pilot for developing reverse logistics to dispose off the products in a responsible manner is a key indication of our commitment to environmental excellence.

BAT Group's **Circular Economy Strategy** for all its product categories is guided by three strategic priorities:

- **Simplify:** design of products and packaging to improve recyclability and to reduce the use of virgin materials and finite resources
- **Maximise:** longevity of the products to improve the experience for its consumers; and



Waste Treatment Plant in Akora Khattak Complex

- **Recover:** minimizing waste through increased product recovery and recycling

Product sustainability is a priority for us and we will continue to strive for efficiencies in our manufacturing and logistics and will promote goods and services that have a positive environmental impact.

A zero waste to landfill mindset across operations

Delivering against the waste reduction and recycling targets can be more challenging in locations with limited recycling and waste management facilities. Nevertheless, 100% of our manufacturing sites have already achieved zero waste to landfill and Trade Marketing & Distribution are close to achieving it in the coming year.

With the aim to achieve 100% waste recycling and zero waste to landfill across our operations. We have undertaken an extensive waste mapping exercise for leaf, logistics and trade and have identified

alternative disposal processes as per environmental best practices. Under the banner of **Project Terranova**, we aim to setup a country-wide waste supply chain, that segregates all our waste materials into recyclable components (food waste, plastic, metal, wood, paper, etc.) and converts these into usable products.

In line with Global Reporting Initiatives waste standards, in which waste to energy is classified as a form of recycling we are actively working to improve our short-term targets and are looking at ways to divert waste sent for energy recovery helping to repurpose it.



2022 Progress and Performance

Across operations:

<0.2% of waste to landfill in 2022

BAT's Target: <1% waste to landfill by 2025.

PTC's Performance



Waste to Recycled

93.11% of waste recycled in 2022

BAT's Target: Recycle at least 90% of our total waste generated by 2025.

PTC's Performance



SPOTLIGHT

Driving Circularity in Pakistan

Our Integrated Work System (IWS), implemented across its operational sites, is driving manufacturing efficiency and environmental excellence. Our factories are a great example of this: here, in 2020 the IWS approach was applied for piloting a new sustainability loss analysis. This involved detailed mapping and data analysis to identify and eliminate any losses of natural resources, as well as opportunities to enhance environmental management. Our team had a clear vision: working towards its environmental targets while delivering business savings and effective resource management. The review identified many opportunities – from eliminating excessive water use and upgrading water pipelines to installing on-site solar energy generation.

Biodiversity and Ecosystem

Our Approach at a Glance

Our business now and in the future depends on biodiversity, as it relies on natural resources like clean water and healthy soils.

We are advancing sustainable agriculture through our world-leading leaf science and a strong team of expert field technicians that support our ~10,000 contracted farmers by:

- Rolling out tools and technologies developed by the BAT Group's Global Leaf Agronomy Development Centre, like integrated pest management that minimises the use of agrochemicals, and drip irrigation and floating seedbeds that help to reduce water and agrochemical use;
- Promoting the sustainable use of wood fuels for tobacco curing and helping farmers deploy more efficient curing technologies that use up to 15% less wood fuel.
- Providing ongoing training and capacity building on environmental best practice of 100% farmers through Cluster Meeting and one to one contact.

Why Biodiversity and Ecosystem Matter

Conventional agricultural practices can be resource intensive, and may cause deforestation, pollution and environmental degradation.

The integrity and quality of the products depend on securing our Tobacco Supply Chain¹. Therefore, we constantly work with its contracted farmers to develop, advance and implement sustainable agriculture practices that preserve natural capital, enhance rural livelihoods and help increase farmer's resilience to climate change.

Policies and Accountability

BAT Group's **Environmental Policy** adopted by us, outlines our commitment to high standards of environmental protection, adhering to the principles of sustainable development and protecting biodiversity.

The **Group's Biodiversity Statement** sets out the principles followed to manage the biodiversity footprint across the operations. The statement is based on a mitigation hierarchy, which describes the steps to avoid, minimise, restore or offset biodiversity loss wherever the group operates.

BAT Group's **Supplier Code of Conduct** which we have adopted define how the

Company require suppliers to identify, understand and actively work towards minimising their impacts on the natural environment.

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

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



1) 'Tobacco Supply Chain' refers to the tobacco supplied by our directly contracted farmers who participate in our annual Thrive assessment.

Afforestation

We have the largest and oldest private sector afforestation program in the country and have planted and distributed 150+ Mn plant saplings since its inception in 1981.

In 2021 alone, we planted and distributed over 55 Mn saplings. This number was achieved through issuing free of cost saplings through our 6 nurseries in KPK and Punjab, block afforestation in collaboration with National Rural Support Programme, a first of its kind initiative of “throw & grow” in Margalla hills forest reserve and aerial seeding in Barakahu forest reserve. This is the highest number PTC has achieved in a year since the start of this initiative.

PTC, in collaboration with the local administration, added 2 new solar powered plant nurseries in Lahore and Faisalabad, each with a capacity to churn out 800,000 plant saplings per year. These 2 new nurseries are an addition to the already established four nurseries in Islamabad, Jhelum and Swabi.

Management Approach

Preserving natural capital in tobacco growing

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

Crop diversification

Growing the same crop continuously on the same land (known as ‘monocropping’) is also known to deplete soil nutrients, so crop rotation is recognized as a best practice approach to protecting and enhancing soil health. PTC has always encouraged the crop diversification – it not only increases farmers’ resilience by preventing reliance on just one crop but also helps to enhance food security and to preserve soil health.



SPOTLIGHT

Aerial Seed Balls Dispersal

PTC collaborated with the Ministry of Climate Change for one-of-a-kind aerial seed balls dispersal project that has never been undertaken before by any private sector organization in Pakistan. PTC dispersed 16 Mn seeds of indigenous species over 700 Acres of protected Barakahu forest reserve through aerial seeding. This aerial dispersal was followed by a GIS and drone baseline mapping of the Barakahu Reserve Forest, which will help to monitor the increase in reserve’s forest cover because of this activity on a year-over-year basis.

SPOTLIGHT

Paperless Nursery Operations

All the operations in 6 PTC nurseries across Pakistan are made paperless through the introduction of digital afforestation management dashboard, which focuses on eliminating unnecessary paper usage, inventory tracking and the automation of plant sapling requests from individuals and organizations.



Reducing the use of agrochemicals

Our contracted farmers use only approved agrochemicals with the lowest possible toxicity according to the World Health Organization classification. We have also identified the type and level of agrochemicals used and monitor compliance with its standard to avoid any highly hazardous pesticides (HHPs). We are reducing agrochemical use and any contamination risk through:

- **Decreasing chemical run-off and water-pollution risks:** Delivering trainings to its contracted farmers on the correct and safe use, storage and disposal of agrochemicals.
- **Integrated pest management and 'biocontrol' techniques:** We support our contracted farmers to implement Integrated Pest Management (IPM) techniques, including natural biocontrol agents. We run IPM based Farmer Field Schools to develop awareness on biological controls and provide field demos to farmers. The IPM package includes Sticky Traps, Bird Perches Trichogramma Cards.
- **Higher-yielding and more disease resistant tobacco seed varieties and CPA containers recycled**

Hybrid screening program is a key initiative towards developing a robust varietal pool suitable for Pakistan conditions to deliver higher yields for farmers. We have selected a few varieties from this program where these varieties will be supplied to farmers from 2023 with high yield and quality potential.

Eliminating risk of using new farmland

We want to eliminate any potential risk of forests being cleared to create farmland to grow tobacco. Before any expansion of farming on new land, through the Sustainable Tobacco Programme, that all contracted farmers conduct a detailed environmental evaluation, and the farmer is monitored through our monitoring tool for not being involved in deforestation or natural habitat destruction to create new farmland.

Sustainable fuels for tobacco curing

We promote sustainable wood usage for its tobacco curing by providing capacity



SPOTLIGHT

CPA Containers Recycling

The Company has introduced a disposal scheme for the empty agrochemical containers. The tobacco suppliers ensure these containers are safely recycled. We collect empty CPA containers from our farmers by incentivizing them and recycle that hazardous waste. In 2022, we recycled 6.4 Tons of hazardous waste collected from its contracted farmers across 90% of farms.

SPOTLIGHT

Digitizing Farm Monitoring

PTC monitors 100% of its contracted farmers through the Farmer Sustainability Management Application (FSM). PTC field teams gather information on their FSM tabs which are synched to provide analysis and reports centrally. Contracted farmers data is collected in 6 stages, as per crop stages. This ensures best practices implantation in the field and provide real time data against each farmer. This provides an opportunity for the leaf team to identify areas for improvement.



Management Approach (continued)

building sessions to our contracted farmers. We aim to ensure that 100% wood used for curing the tobacco leaves comes from a sustainable source. It also includes training on forest management, distributing tree saplings for a sustainable source of fuel and helping farmers to switch to locally available alternative fuels.

Afforestation initiatives in farming communities

We support afforestation, biodiversity and environmental conservation programmes as part of our wider community-based initiatives.

Since 2011, we have partnered with the National Rural Support Program to promote block afforestation in farming communities. The partnership is centered around the idea of replenishing the sustainable wood-fuel sourcing areas by the provision of free of cost saplings to farmers. This initiative has enabled us to develop a sustainable wood fuel source for tobacco curing with 100% traceability.



2022 Progress and Performance

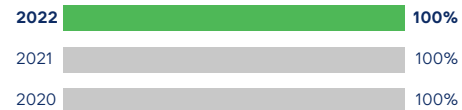
The monitoring of PTC's contracted farmer's wood use for curing has shown that 100% wood was used from sustainable sources. In addition, the contracted farmers reported that no new forests were cleared for growing tobacco in 2022.

Sustainable wood sourcing

100%

BAT's Target: 100% of wood used by our contracted farmers for tobacco curing to be from sustainable sources.

PTC's Performance



Careful

Building A Better Tomorrow™ for All





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



Delivering a Positive Social Impact

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	BAT Group's Approach	BAT Group's goals and ambitions	PTC's 2022 performance
 Human Rights	<p>The Group's business and supply chain covers several industries that have important human rights considerations. Its approach is aligned to the UN Guiding Principles and focuses on strong policies, due diligence and remediation programmes.</p>	<p>By 2025</p> <ul style="list-style-type: none"> Aim for zero child labour and zero forced labour in our Tobacco Supply Chain¹ 100% of product materials and high-risk indirect service suppliers to have undergone at least one independent labour audit within a three-year cycle 	<ul style="list-style-type: none"> Monitoring 100% farmers for Child labour and forced labour activities Ensuring raising of PAIs and following proper closing mechanism 20 Summer Camps across leaf areas
 Farmer Livelihoods	<p>The Group supports its contracted farmers in enhancing their livelihoods and food security. Community Programmes help to build long-term resilience for rural communities.</p>	<ul style="list-style-type: none"> We are committed to working to enable prosperous livelihoods for all farmers in our Tobacco Supply Chain¹ 	<ul style="list-style-type: none"> Improving Farmer Yield through Crop Varietal profile for 70% contracted farmers Enhancing Farmer Productivity through Farm Inputs Support program to 45% contracted farmers Assisting Farmers in selecting profitable combinations to 3% contracted farmers
 Health and Safety	<p>The Group is committed to providing a safe working environment for all our employees and contractors. It also requires its farmers in its Tobacco Supply Chain¹ to have access to personal protective equipment (PPE) for agrochemical use and harvesting.</p>	<p>Each Year</p> <ul style="list-style-type: none"> Aim for zero accidents Group-wide. 100% of farmers and workers with sufficient PPE for agrochemical use and tobacco harvesting 	<ul style="list-style-type: none"> Zero reportable injuries/incidents IWS Phase 2 qualification for Ops EHS Pillar AKF Successful Sustainability Compliance Audit Ensuring provision and usage of PPEs by 100% contracted farmers
 People, Diversity and Culture	<p>The Group focuses on building an inclusive and supportive culture that attracts, engages and retains diverse and talented people. This develops the next generation of leaders and creates a fulfilling, rewarding and responsible work environment.</p>	<p>By 2025</p> <ul style="list-style-type: none"> Increase the proportion of women in management roles² to 45% and on senior leadership teams³ to 40% Achieve at least 50% spread of distinct nationalities in all our regional and functional leadership teams 	<ul style="list-style-type: none"> 24% women in management roles² and 14% in senior leadership teams³

1) 'Tobacco Supply Chain' refers to the tobacco supplied by our directly contracted farmers who participate in our annual Thrive assessment.

2) The number of female management-grade employees, as a percentage of the total number of management-grade employees. Management-grade employees include all employees at job grade 34 or above, as well as any global graduates.

3) Members of senior leadership teams are defined as any employee who is either a direct report of a Management Board member or a direct report of a Management Board's direct report.

Human Rights

Our Approach at a Glance

Our commitment to respect the human rights of our employees, the people we work with and the communities in which we operate. We work to keep ourself – and our supply chain – aligned and accountable through strong policies, due diligence and remediation programmes aligned to the UN Guiding Principles on Business and Human Rights.

We have a long and proud history of working in partnership with our contracted farmers around the country and take a holistic approach to addressing human rights risks and tackling the root causes. Beyond this, the Company also has a dedicated toll free hotline for any grievance reporting with respect to human rights violations. We are fully committed to ensure human rights compliance by our contracted farmers.



Why Protecting Human Rights Matters

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

Policies and Accountability

BAT Group's **Standards of Business Conduct (SoBC)** adopted by us include Workplace and Human Rights policies, detailing the support for the UN Guiding Principles and ILO Declaration on Fundamental Principles and Rights at Work.

BAT Group's **Supplier Code of Conduct** complements its SoBC, defines the minimum standards expected of its suppliers, including human rights criteria, and is incorporated into its contractual arrangements.

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

- 'Speak Up' channels that are independently managed and available in multiple local languages for anyone working for, or with, the Group to report concerns.

- SoBC Assurance Procedure, which defines how allegations and reports of SoBC breaches should be investigated and remediated fairly and objectively;
- Employment Principles, which set out a common approach for good employment practices and workplace human rights across the Group; and
- Operational standard on child labour prevention, which provides detailed guidance and procedures for its leaf operations in tackling the risk of child labour in its tobacco supply chain.



Our Human Rights Strategy

The BAT Group has a long-standing commitment to respect fundamental human rights as affirmed by the Universal Declaration of Human Rights.

This commitment includes respecting the rights of our employees, the people we work with and the communities in which we operate across our supply chains and business operations.

Adapting BAT's strategy across Pakistan, PTC's human rights strategy is aligned to the UN Guiding Principles for Business and Human Rights (UNGPs) and focuses on strong policies, due diligence and remediation programmes, as detailed in the graphic below.

Salient human rights impacts

To identify how our business impacts people, we talk to people who we impact. This helps guide our strategy and ensures we focus on what matters most to people across our value chain.

To do this, we undertake a defined process, aligned to the UNGPs, for which:

- We engage to understand the views of, and impacts upon, our key stakeholders and rights-holders across our value chain;
- We research to understand our place in the big picture and identify emerging risks, trends and best practice; and
- We prioritise the salient issues of greatest importance to our stakeholders and rights-holders.



Human Rights Strategy Framework

Management Approach

We have a long-standing commitment to respect fundamental human rights as affirmed by the Universal Declaration of Human Rights, and are committed to conducting our operations in a manner that ensures that the rights of our employees, business partners, and communities are respected.

Farm monitoring

We conduct farm monitoring of its ~10,000+ contracted farmers. It is done by keeping a close coordination with farmers and if any issues are identified, the leaf operations work with the farmer to implement a remediation plan that considers the individual's circumstances. We believe in a holistic and collaborative approach, with a relentless focus on addressing the root causes, such as poverty and lack of awareness.

Longer-term solutions

Our approach emphasizes working with families and communities to find sustainable solutions while respecting local context and the challenges of operating small, family run farms. Enhancing farmer livelihoods is central to the tobacco supply chain strategy. In this way, if farmers have profitable farms and good incomes, they are less likely to use cheaper forms of labour (including their children) and are less vulnerable to exploitation. They are also more likely to adhere to safety standards and look after the environment. Our training and communications programmes help to raise farmers' awareness and increase understanding of human rights, tailored to the local context.

Rural poverty is also recognized as a primary root cause of human rights issues in agriculture. We aim to improve farmers livelihood through productivity enhancement and profitable combination crops such as seed for Mustard, Maize and Mushroom spawns to enable its farmers to have sustainable income.

Partnerships and communities

We are a strong believer of the fact that partnerships and community-based programmes are the best way to respect human rights. By bringing together all the relevant stakeholders, we can co-develop solutions to help bring about sustainable change.

Women Empowerment Trainings:

We are strengthening our farming community by empowering women through education on the most important elements that impact its development. In 2022, PTC collaborated with NRSP to train 7,800 families across all leaf growing areas and help them develop awareness on child labour, farm economics, farm safety and kitchen gardening and provided them 2,500 kitchen gardening starter packs

to. This initiative is bringing new insights to the farming community and is highly appreciated among the farming community.

Summer Camps:

In 2022, PTC collaborated with a local NGO Idara-e-Taleem-o-Agahi and conducted 20 summer camps across tobacco growing areas. 1,158 ambitious learners were engaged in healthy activities such as arts, science, and math to create fun learning environment. These positive learning activities during summer vacations helps to mitigate the risk of children involvement in tobacco production activities and encourage farmers on the importance of child education.

2022 Progress and Performance

In 2022, 17 child labour incidents were reported on farms. A total of 22 children were involved in tobacco bale stitching during bale making activity. Issue was raised by the field team and resolved as per process with farmer education and commitment to abide by all child labor laws.

There have been significant improvement in farmer awareness on child labor and

different initiatives such as summer camps and stitching machines have helped in mitigating the risks of child labor in tobacco production.

Toll Free Hotline: Grievance Reporting

There were zero cases of forced labor in our leaf operations. We have a dedicated

grievance reporting mechanism where a toll-Free hotline is available to farmers and workers where they can report any grievance on Human rights. In 2022, we received 7 grievances with respect to Human rights violations. Upon further investigation none were related to human rights and appropriate actions were taken to mitigate.

Child labour and forced labour

99.83% of PTC farms monitored had no child labour identified in 2022.

BAT Group's Ambitions Aim for zero child labour and zero forced labour in the Tobacco Supply Chain¹ by 2025.

PTC's Performance

	2021	2022
% of farms monitored for child labour	100%	100%
% of farms with incidents of child labour identified	0.01%	0.17%
Number of child labour incidents identified (proportion reported as resolved)	1 (100%)	17 (100%)
% of farmers that received training/capacity building on child labour issues	100%	100%
Number of forced labour incidents identified (proportion reported as resolved)	0 (100%)	0 (100%)

Grievance mechanisms

	2021	2022
% of farms monitored for grievance mechanisms	100%	100%
% of farmers reported as having access to at least one type of grievance mechanism	100%	100%
% of farm labourers reported as having access to at least one type of grievance mechanism	100%	100%

1) 'Tobacco Supply Chain' refers to the tobacco supplied by our directly contracted farmers who participate in our annual Thrive assessment.



Farmer Livelihoods

Our Approach at a Glance

The contracted farmers are our valued business partners. With the provision of support, technical assistance, and capacity building to over ~10,000+ contracted farmers, we are contributing to enhance their livelihoods and build their long-term resilience.

We have introduced new tobacco seed varieties that offer greater yields, as well as higher quality and resistance to diseases, and so help boost farmers' profits. In addition, we also help our contracted farmers to increase efficiency and productivity with new, sustainable technologies, such as fuel-efficient curing barns, irrigation technologies and mechanization. Educating and supporting the contracted farmers to grow other crops for food or as additional sources of income is also a key part of our approach. We also invest in a wide range of community-based programmes, in collaboration with local stakeholders, to help enhance rural livelihoods.



Why Farmer Livelihoods Matter

Maintaining a stable income in agriculture can be challenging in the face of an unpredictable climate and changing market forces. Rural poverty is recognised as a primary root cause for issues such as child and forced labour, as well as poor safety and environmental standards. If farmers have profitable farms and good incomes, they are less likely to use cheaper forms of labour (including their children) and are less vulnerable to exploitation. They are also more likely to adhere to safety standards and look after the environment.

In many rural farming communities, poverty and lack of easy access to basic services and infrastructure, such as clean water, electricity, schools, transport and healthcare, can lead to young people moving away to find jobs in the cities. Without a new generation of farmers, the future of agriculture could be under threat – and that presents a major long-term risk for our business.

Policies and Accountability

PTC Board reviews its **Tobacco Supply Chain Strategy** regularly. This includes reviewing progress against the global priorities and Thrive indicators.

The industry-wide Sustainable **Tobacco Programme (STP)** includes a wide range of farmer income and livelihoods criteria that leaf operations and third-party suppliers are expected to adhere to.

BAT Group's **Strategic Framework for Corporate Social Investment** adopted by us, sets out detailed guidance for the community investment programmes, aligned to the UN Sustainable Development Goals.

Helping Farmers to Thrive

BAT Group's **Thrive Programme** is based on the internationally recognised 'Five Capitals' framework.

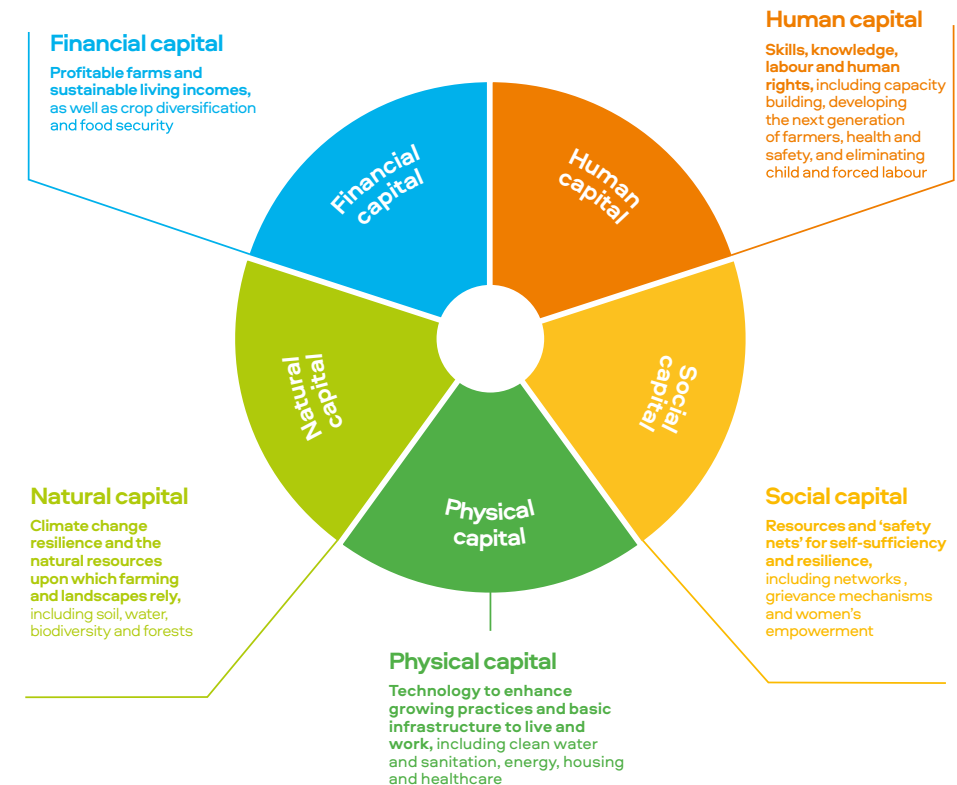
To be sustainable, farming communities must be 'in credit' across five types of 'capital': financial, natural, physical, human and social. Strength in all five enables farmers and rural communities to prosper.

Adapting this in Pakistan, we have defined indicators to measure progress against

Thrive

each of the Capitals, against which our leaf operations and strategic suppliers complete annual assessments. The insights inform our strategy, and help to develop focused, local, action plans.

The 'Five Capitals' farming communities need to thrive



Management Approach

We take a holistic approach to enhancing farmer livelihoods and helping to build the long-term resilience of farming communities.

The progress is measured via the Thrive programme and the company use the insights to tailor its approach to local circumstances.

Extending Support to the Farmers

Multiple low cost and higher productivity farm mechanization solutions are being undertaken to increase farmer margins and profitability. Farm safety is another focus area where we provided global standard PPEs to farmers to be used in agrochemical crop applications. We also tested the chemical application through drone, eliminating human involvement which is going to contribute significantly to achieve the farm safety vision.

Integrated pest management is being also practiced by farmers, where natural pest control methods are used, resulting in the reduction of agrochemical use. This is contributing to protecting the local ecosystem.

Building community resilience

We partnered with NGOs and other stakeholders to deliver wider benefits from its projects to support the communities. The Company's focus is on improving livelihoods, including women's empowerment, rural youth development, micro-financing, village savings and loans, access to healthcare, clean water, and sanitation and many more.

Where needed, the Company steps up its efforts to help support communities during the crisis. We provided an assistance of PKR 28 Mn for the hail affected leaf growers in Mansehra. In 2021, we aided with an in-kind support to hail affected farmers in Swabi & Mardan in shape of Maize Seeds worth PKR 5 Mn. In 2022, the Company contributed PKR 12 Mn to flood affected areas through its Gottfried Thoma Benevolent Trust.

2022 Progress and Performance

Community investment

Rs. 116 Mn

community investment support in 2022.

Crop diversification

86%

farmers grew other crops besides tobacco.

Farmer training

Farm business management

	2021	2022
Sessions	880	2168
Attendances	9905	10,077

Women empowerment and leadership

Sessions	57	421
Attendances	1,130	7800

How PTC supports farmers throughout the growing cycle

Our field technicians visit all contracted farmers approximately once a month during the growing season. They act as a direct link between the farmers and the Company, building trusted relationships and working with the farmers to develop their skills, promote better yields and maintain standards, including:



Annual contracting, guaranteeing a fair price for tobacco

Providing high-quality seed varieties and crop inputs

1. Planning and preparation

Agrochemical safety, PPE provision and training

Providing high-quality seed varieties and crop inputs

2. Seedlings, planting and growing

Farm monitoring, prompt actions and remediation

Training and communications



3. Harvesting and curing

Curing technologies and alternative fuels

Harvesting safety, PPE provision and training

4. Selling and crop rotation

Support for growing other crops after tobacco season

Prepare for market and maximise profits



SPOTLIGHT

Providing Health Care Services; Mobile Doctor Units (MDUs)

Since 1985, we have been providing free of cost medication and consultations to less privileged sector of the society. In 2021, we expanded our MDUs fleet from 7 to 13 and equipped all the vehicles with the most modern basic health care equipment. We also expanded our MDUs routes and included 5 new cities i.e. Muzaffarabad, Sargodha, Bahawalpur, DG Khan and Jhang. A total of 150,000 patients were given free of cost basic health care consultations, treatment, and medication in 12 difference districts of KPK & Punjab.



Health and Safety

Our Approach at a Glance

We commit to ensure a safe working environment for our employees and contractors and expect its third-party suppliers to do the same.

We do this through:

- Group-wide health and safety programmes and employee training.
- Tailored initiatives for higher-risk areas of the business, such as manufacturing and Trade Marketing & Distribution (TM&D);
- Providing its contracted farmers with best practice health and safety training and access to personal protective equipment (PPE); and
- Requirements across its tobacco supply chain on PPE provision for agrochemical handling and harvesting



Why It Matters

Any risk of injury, death or ill health to employees and those who work with the business is a huge concern and one that we take extremely serious. Safety risks vary across our value chain and the locations we operate in.

Policies and Accountability

We have a robust set of policies that work together to make PTC a safe and healthy place to work. Our **Respect in the Workplace Policy** in the SoBC outlines how to safeguard employee wellbeing and provide a safe working environment.

This is complemented by BAT Group's **Supplier Code of Conduct**, which sets out its minimum standards for suppliers.

In addition, the operational standard for

PPE in tobacco farming applies to all ~10,000+ farmers directly contracted by our leaf operations. It requires all farmers and their workers to have access to PPE for agrochemical use and harvesting. Also, training and monitoring must be carried out for all farms on PPE, agrochemical use and Green Tobacco Sickness (GTS). We are constantly working with our wider supply chain to help create improvements.

Management Approach

Ensuring safety across the business

A robust set of policies supported by a risk-based approach, and tailored initiatives for high-risk areas of the business, helps to achieve our goal for zero accidents across the organization.

Across the manufacturing sites, the accident-prevention programmes focus

on preventing injuries when using or maintaining equipment or machinery.

In Trade Marketing & Distribution, there is a higher risk of road traffic accidents or attacks and assaults. The vehicles and motorcycles are on the road everyday, often operating in environments with difficult social or economic conditions. With the comprehensive driver safety and security programmes, we monitor, analyze and improve the driver behavior.

Growing tobacco safely

The exposure to pesticides and Green Tobacco Sickness (GTS) is the prominent safety risk in tobacco growing which can be contracted by handling wet green tobacco leaves during harvesting. The optimal use of PPE's during the harvesting can greatly minimize such risks.



2022 Progress and Performance

Total accidents

(Number of accidents to employees and contractors)



Fatalities

(Number of fatalities to employees, contractors and members of public involving PTC vehicles)

	2022	2021	2020
Employees	0	0	0
Contractors	0	0	0
Members of the public, involving PTC vehicles	0	0	0

Safety across the supply chain

PTC is leading Sustainable Agriculture in Pakistan

where farm safety is embedded in the pulse of the farmers by inculcating the safety mindset.

100%

contracted farmers were provided with Free of cost PPE's.

We monitor our farmers for PPEs availability and usage and have a strict mechanism in ensuring its usage by farmers and workers during the tobacco growing season.

Provision of PPE for farmers and their workers

(% of contracted farms reported to have sufficient PPE for agrochemical use and harvesting)

	2022	2021	2020
PPE for agrochemical use	100%	100%	100%
PPE for harvesting	100%	100%	100%

Farmer health and safety training

(Number of farmer training sessions and total attendances)

GTS and harvesting health and safety		
	2021	2022
Sessions	880	2168
Attendances	9905	10,077
Agrochemical health and safety		
Sessions	880	2168
Attendances	9905	10,077



People, Diversity and Culture

Our Approach at a Glance

Attracting and retaining an increasingly diverse workforce and providing a welcoming, inclusive working environment are key drivers in our transformation journey to build A Better Tomorrow™. We focus on providing a fair and inclusive workplace where all its people can flourish and thrive. The diversity, equity and inclusion (DE&I) strategy is embedded across the Group worldwide and focuses on driving ownership and accountability, building diverse talent pipelines and creating enablers – all underpinned by an inclusive culture.

Why an Inclusive Culture Matters

As we continue to transform our business, we need to unlock the best talent and bring different perspectives to innovation and problem-solving. To stand out in an increasingly competitive international employment market we must value all our stakeholders. An integral part of valuing its people is to ensure that the Company represents the views, skills, needs and expectations of its workforce by ensuring a diverse and inclusive culture.

Policies and Accountability

BAT Group's **Standards of Business Conduct (SoBC)** include our Respect in the Workplace Policy, outlines its commitments to equality, diversity, preventing bullying and harassment, and safeguarding employee wellbeing.

BAT Group's **Employment Principles**

include its commitments to reasonable working hours, a family-friendly work environment, employee wellbeing, talent, performance and equal opportunities, and fair, clear and competitive remuneration and benefits.

Management Approach Investing in leaders

The Company is focused on attracting and retaining the capabilities needed to deliver its strategy, driven by the purpose of A Better Tomorrow™. The data-led and digitally enabled approach focuses on bringing new skills and capabilities to the teams.

The Company's digital learning platform, **The Grid**, continues to provide personalised digital opportunities for upskilling its employees. We also expanded the use of learning content from its partner, LinkedIn Learning, which is open to all our employees

and provides them with the right resources for personal and professional development. Throughout 2022, HR Business Partners in support with the leadership and Talent Team, helped drive training programmes in their respective functions. In 2022, employees logged in 1,576 learning hours on The Grid.

The Company also launched BAT Group's **'Leadermeter'** in 2020, a new leadership capability assessment focused on identifying employees' strengths and development areas. The insights help not only to provide a structured approach towards formulating development interventions but also support in identifying the right individuals for trainings, such as Women In Leadership, Storytelling with Impact and Gravitas and Leading Through People, to name a few. In 2022, 100% of the eligible employee population appeared in the Leadermeter assessment after which the insights from the assessments were being used to design development



interventions and learning playlists.

Diversity, Equity and Inclusion

We are proud to be a diverse company and, as our ethos shows, diversity is one of our core values. As we evolve as a business with the new corporate purpose and strategy, diversity becomes even more critical to our success. The Company first launched its DE&I strategy in 2012, focused on ensuring its employees can flourish regardless of their gender, ethnicity, culture or other differences.

Over that time, we have implemented a range of initiatives under its key strategic pillars to drive ownership and accountability, build diverse talent pipelines and create enablers – all underpinned by an inclusive culture. From the beginning of an employee's journey, our commitment to fairness and inclusivity is embedded throughout the recruitment process, helping to ensure equal access to opportunities. The Company requires all recruitment agencies it works with to provide gender-balanced longlists of candidates.

In 2021, we launched **SheReturns Programme** for females returning to the workplace after a career break. SheReturns identifies, recruits and supports returners, helping them reintegrate into the workplace and rebuild their confidence. The programme includes flexible working, training and coaching opportunities, as well as training for line managers on how to best support them.

So far, we have successfully supported women into roles who had taken breaks ranging from 1 to 4 years. In 2022, we proudly onboarded our first female HR Director under the umbrella of this

SPOTLIGHT

PTC's Ambition for 2025

- Achieve a more positive employee engagement score in Your Voice survey than the norm for FMCG Companies in its comparator benchmark group
- Plan to increase representation of underdeveloped parts of country into the workforce

programme.

Our People & Culture Committee ensures prevalence of a healthy, progressive, and transformative culture. With employee well-being at the heart of all initiatives, the P&C Committee has dedicatedly worked on improving working conditions with infrastructural revamping across multiple sites, introduction of employee friendly policies such as Pregnancy Loss Policy to support employees and promote their mental well-being through the launch of an online and physical mental counseling platform, '**Oladoc**'.

People & Culture Committee continued its focus on employee well-being, reinforcing thought diversity and the ambition of a progressive, transformative, and healthy culture.

The Diversity & Inclusion Team encourages innovation, creativity and different ways of thinking; it creates a fascinating place to work, with opportunities to collaborate with a wide range of people from various industries, diverse experiences, cultures and with different perspectives.

We work to continually raise awareness

of diversity and inclusion through campaigns and live events that showcase best practices from senior leaders in the organization as well as external role models. In 2022, multiple inspirational DE&I sessions were organized under where industry leaders and philanthropists shared their diverse experiences.

This includes minimum requirements for fully paid leave for new mothers and adoptive parents and a return-to-work guarantee, exceeding legal requirements in many countries. It also provides flexible working opportunities and an online advice service offering coaching support for all parents whenever they need it. We have also introduced paternity leave policy which allows biological and adoptive fathers to opt for 2 weeks of paid leave.

In our aim to fostering an equitable and inclusive culture, we also provide Child/Day Care Support to single parents as well as working mothers. In remote locations, where day care facilities are unavailable, the company provides extended support

to reimburse its employees for nanny care. Moreover, lodging and transport facilities have also been made available to females in both of our factories in Jhelum and Akora Khattak.

Each year, we celebrate International Women's Day (IWD) and holds events, including talks from inspiring female business leaders – from both within BAT and the wider business community. This global approach has been recognized as best practice by the IWD Association for two consecutive years. In 2022, we celebrated International Women's Day by organizing a company-wide live event on the BreakTheBias theme; challenging status quo, biases and inequality with prominent guest speakers. Multiple site wise celebrations were also organized by the HR team.

The '**Strength from Diversity**' training workshops have long helped the management-level employees understand unconscious, conscious and organizational bias.

SPOTLIGHT

PTC Recognised as a Top Employer

The Top Employer Certification acknowledges people and culture environment including Culture, Leadership Development and Talent Strategy. Being ranked as the world's Top Employer is a great achievement as we continue to look for new ways of engaging and motivating all our employees, both professionally and personally.



For 2022, we have relaunched this training as **'Mastering Inclusion'**, in a new learning format, and opened it up to all its other non-management employees too. This training will help to enhance awareness and understanding of key DE&I topics, provide practical ways to foster inclusive working environments and further empower its people.

Workforce engagement

We have a range of well-established workforce-engagement channels to ensure our Executive Committee and Extended Leadership Team understands the views of the company's workforce. These include market and site visits by the Directors and leadership members to meet local employees and conduct town hall sessions to maintain the connect. These engagement channels are implemented as appropriate for the composition of the local workforce at all levels of the business.

To stay connected during the pandemic, People & Culture Committee hosted quarterly check-in sessions with the population to celebrate business results and achievements, cascade strategic leadership agenda, launch company-wide initiatives and celebrate and recognize its most valuable assets; the people. The live sessions were also a medium of hosting regular check-ins and maintaining the engagement of its Executive Committee with the wider population.

We also hosted our first virtual Strategic Leadership Agenda Event in 2021 where the Executive Committee shared the company's vision for the next 5 years. The session comprised of interactive and engaging activities as well as strategic discussions.

BAT Group also undertakes its 'Your Voice' global employee opinion survey every two years, with the most recent taking place in 2021. Our score considerably improved as a result of company-wide initiatives launched in the horizon of 2 years as a result of 2019 Your Voice outcomes. In 2021, we improved in 16 out of 17 categories as compared to 2019 results and Global FMCG Norm.

2022 Progress and Performance

In 2022, the Company has delivered massive performance on DE&I agenda which includes recruiting females in unconventional roles in Operations, Leaf and Trade Marketing Distribution.

Our talent strategy aims to create a legacy of leaders with focus on providing equal employment opportunities and hiring the

best talent with the aim of driving high performance and the development of leadership capabilities to help its people realize their full potential. This is achieved by implementing a robust recruitment process in the Company in line with the global governance and processes.

In its pursuit of hiring top talent from the country and offering equal employment opportunities to all, the Company participated in BAT's **Global Battle of Minds** competition. The competition kicked-off in April 2022, following a face to face approach for the first time post-covid. 40 innovative and ground breaking pitch submissions were received following the Environment, Social and Governance (ESG) theme for the year and 8 teams were shortlisted to present their unique ideas to a panel of senior company managers in the

semi-finale round.

Team Strangers, representing LUMS, were winners of the local grand finale and went ahead to proudly represent Pakistan in the global arena of Battle of Minds 2022 where teams from 12 other countries participated. The top 8 shortlisted teams were also given an opportunity to apply for our Global Graduate Programme; that helps develop future leaders through a 12-15 months' fast track programme. We offer young adults real practical experience as well as training and development to help them improve along the way. The Global Graduate Programme focuses on developing the next generation of diverse leaders and accelerating the development of their commercial leadership skills. It offers graduates a full-time role from day one and gives them access to career

SPOTLIGHT

Cultivating a Gender Inclusive Environment

In the past 75 years, historic momentum has been laid out to revolutionize our workplace, with an enhanced focus on our people and Diversity, Equity and Inclusion. 2022 was the culmination of all this effort. After years of sustained progress, we appointed our first female Head of Human Resources and Finance Director. We are immensely proud that our Executive Committee comprises 40% females. With a successful blueprint to draw on, we are looking forward to creating a more balanced workforce, and ensuring we continue to grow onwards and upward in the years to come.



Kelly Burtenshaw
Finance Director

Faiza Imtiaz
Head of Human Resources

development advice from senior leaders and Management Board members. In 2022, we onboarded 12 GGs across various functions.

In 2022 we launched **Women Inclusion Network (WIN)** and **Mentors Corner**, an exclusive community for women which aimed to Connect, Collaborate, and Empower. This initiative provided opportunities for our female employees to engage in meaningful and insightful discussions with female leaders both within and outside of the Company.

Female representation

BAT Group's Ambition: Increase the proportion of women in senior leadership teams¹ to 40% by 2025

PTC's Performance

(% female representation on senior leadership teams)



BAT Group's Ambition: Increase the proportion of women in management roles² to 45% by 2025

PTC's Performance

(% female representation on management roles²)



2) The number of female management-grade employees, as a percentage of the total number of management-grade employees. Management-grade employees include all employees at job grade 34 or above, as well as any global graduates.

3) Members of senior leadership teams are defined as any employee who is either a direct report of a Management Board member or a direct report of a Management Board's direct report.



Inaugurating First Day Care in Leaf Region



Celebrating Womens Day 2022

Anti-Illicit Trade

Our Approach at a Glance

PTC's focus towards enforcement against illicit tobacco trade is a priority for its business in order to protect the legitimate tobacco industry. Through external engagements, PTC is highlighting the economic impact of tax evasion by sensitizing decision makers and public at large about the violations by illicit players.

Combatting illicit trade is a priority to safeguard its combustibles business. Illicit trade stifles the operation of the legitimate industry, erodes its market share and has wide-reaching negative societal impacts.



Why it Matters

Illicit tobacco sector's share of the market in Pakistan is a staggering 37%. The illicit tobacco manufacturers sell cigarettes at a price surprisingly lower than the minimum price per pack mandated by law in Pakistan and even lower than the minimum tax per pack. Resultantly, not only do they defeat the health agenda of the government, but they also rob the national exchequer in excess of Rs. 70 billion each year. The illicit sector freely advertises its products, offer attractive prizes, discounts and cash prizes in complete violation of the Ministry of Health's tobacco advertisement laws.

Management Approach:

PTC is working hand in hand with external stakeholders and enforcement agencies to curb illicit tobacco trade. PTC is constantly supporting policies to discourage illegal trade of cigarettes including destruction of confiscated contraband cigarettes, implementation of Track and Trace in Pakistan and brand licensing regime for tobacco manufacturers. PTC conducts trainings with different stakeholders to apprise them of the evolving dynamics of illicit trade and its adverse impact on the economy.

PTC fully supports regulators, governments and international organizations in eliminating all illicit tobacco trade. It is pivotal that governments establish workable tax regimes and economic policies that do not encourage illicit trade. Strong border controls and effective enforcement of laws also helps to fight the black market. PTC's approach to fighting the black market in tobacco includes:

- Effective internal governance & compliance
- Supply chain integrity & security;
- Working with authorities to ensure that appropriate enforcement action is taken;
- Engaging with trade bodies to increase awareness and understanding of the issue;
- Informing regulators about the impacts of the illegal tobacco trade;

2022 Progress and Performance:

In 2022, the Government of Pakistan implemented Track and Trace system (TTS) in the Tobacco sector. Only 2 manufacturers implemented the system in letter and spirit, whereas, the other manufacturers continued to delay implementation on one pretext or the other, finally getting a restraining order from Islamabad High Court (IHC). The initiative was designed to aid in the identification

of authentic tax paid packs in the markets as well as monitor volume of production electronically to control tax evasion. Additionally, the government has signed a MoU with the Government of Azad Jammu & Kashmir (AJK) for implementation of the Track and Trace System at AJK based factories, however, execution is still awaited. It was PTC's contention that until the Track & Trace System is implemented across the board and enforced at the retail level in letter and spirit, it will not yield the desired results. Lack of enforcement is allowing illicit manufacturers to continue their operations unhindered.

The Government needs to ensure implementation of Track and Trace System across the board to be able to reap the benefits and ensure tax compliance by all cigarette manufacturers. Only once it is implemented at all cigarette factories and enforced strictly at the retail level, will it yield the desired results for the government. It is likely to provide much needed revenue to the Government and ensure a level playing field for all stakeholders.

SPOTLIGHT

PTC Implements Track & Trace System

PTC inaugurated the 1st Track & Trace System Implementation for the Tobacco industry. Once implemented across the board in true letter and spirit, TTS will help in curtailing the spread of illicit trade in the tobacco industry.



Infrastructure

A Tomorrow With Integrity

Our actions impact our consumers and communities, from marketing responsibly to contributing to local economies through tax payments. We also have a responsibility to our shareholders to act as a reputable global business. We operate in an honest, transparent and accountable way, and maintain integrity in everything we do. Our robust principles and policies set out how to do this consistently.



Sustainability Governance

G

We are committed to achieving our business objectives in an honest, transparent and accountable way, and sustaining a culture of integrity in everything we do.



Ethics and Integrity

BAT Group's Approach

Ethical values form the basis of the Group's culture. Delivery with Integrity programme drives a consistent approach to managing key risks including bribery and corruption. The Group is clear to their people, partners and suppliers that ethical standards must not be compromised.

BAT Group's goals and ambitions

Each year

- Aim for 100% adherence to our Standards of Business Conduct (SoBC)

PTC's 2022 performance

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



Responsible Marketing and Transparent Communications

The BAT Group's International Marketing Principles (IMP) govern marketing across all product categories. They include strict requirements to be responsible, accurate and targeted at adult consumers only. IMP are applied even when they are stricter than local laws.

Each year

- 100% of our marketing to be responsible
- Aim to have 100% adherence to Youth Access Prevention (YAP) Guidelines across our Global Operations

- PTC drives compliance with the IMP's across all its marketing activities and all new and current third parties were trained on the IMP's to ensure compliance
- PTC provided the necessary messaging to its retailers through YAP stickers and conducted YAP compliance training in physical retail outlets

Ethics and Integrity

Our Approach at a Glance

Delivering with integrity and ethos form the foundation of how we work. The Company is clear to all our employees, suppliers and partners that it will never compromise its ethical conduct standards for the sake of results.

We drive a consistent approach to managing key risks – and expect its suppliers to act with integrity too. Through a robust suite of policies, standards and training, we empower our employees to make sure they understand what is expected of them and act responsibly. We set out clear expectations in our Standards of Business Conduct (SoBC).

This is complemented by tools and procedures, enabling us to assess risks consistently and encouraging its employees to speak up when they suspect a breach.



Why Delivering with Integrity Matters

In an organisation as diverse as ours, its priority is to deliver with highest standards of integrity. We work with a consistent set of rules and standards of behaviour across the Group. Operating with honesty, integrity and transparency is not only the right thing to do – it is critical to the continuing success of the business.

Unethical behaviour, such as corruption, money laundering or tax evasion, can be extremely damaging to a business. It can also distort markets, and developing countries are especially vulnerable to its associated economic, social and political impacts.

Policies and Accountability

The **SoBC** is complemented by the **Supplier Code of Conduct**, which outlines the minimum standards expected of the suppliers. It includes provisions relating to bribery and corruption, sanctions, tax evasion and illicit trade.

The **SoBC** expresses the high standards PTC is committed to upholding, covering topics including 'Speak Up', bribery and corruption, political contributions, tax evasion and money laundering.

We monitor and mitigate third-party risk as a key component of its compliance programme through our third-party **Anti Financial Crimes (AFC)** procedure.

The Audit Committee of the Board of Directors is kept updated on SoBC allegations. The Committee reports to the Board to enable Board oversight of behaviour falling short of its standards and the corrective action taken, particularly

where relevant to culture and values.

Management Approach

Delivery with Integrity is Group's global compliance programme, which is led by the Legal & External Affairs Compliance team. The programme promotes an ethical culture and communicates expected behaviours as set out in our SoBC. It also provides employees with ways to raise concerns without fear of retaliation and assurances that investigations will be fair and thorough. Delivery with Integrity also drives a consistent approach to identifying and mitigating risk in the areas of bribery and corruption, money laundering, tax evasion, competition law, sanctions and data protection through tools and guidance for employees and business units. This is complemented by tools and procedures, enabling us to assess risks consistently and encouraging our employees to speak up when they suspect a breach.

We aim to always have

100%

adherence to

Standards of Business Conduct

SoBC mobile application was launched at the end of 2019. The app provides easy access to SoBC policies, procedures and guidance, and to its global 'Speak Up' channels. The LEX Compliance team drives greater awareness and usage of the app across the organization.



Evolution of Delivery with Integrity programme

2017 Establishing	2018 Strengthening	2019 Embedding	2020 Enhancing	2021/22 Accelerating
<ul style="list-style-type: none"> Renewed 'tone from the top' Delivery with Integrity programme Speak Up channels 	<ul style="list-style-type: none"> Risk management Anti-bribery and anti-corruption (ABAC) Embedding training and communications 	<ul style="list-style-type: none"> Integrity pledges The role of line managers as SoBC champions SoBC app Third-party ABAC process 	<ul style="list-style-type: none"> Investigations and Speak Up enhancements Global Integrity Network M&A Transactions Compliance Procedure 	<ul style="list-style-type: none"> SoBC new joiner e-induction Automation and data analytics Third-party life cycle management Compliance auditing

SPOTLIGHT

A Safe Place to 'Speak Up'

Our SoBC and SCoC make it clear that our employees, business partners and suppliers should speak up if they have a concern about actual or suspected wrongdoing. We will always pay attention to these concerns, even if the person is mistaken. We do not tolerate victimization or reprisals of any kind against anyone raising a concern – such conduct is itself a breach of the SoBC and is a serious disciplinary matter.

We have worked hard to ensure 'Speak Up' is seen as a trusted tool by its people. In our latest 'Your Voice' employee survey, conducted in 2021, 77% of employees strongly agreed they felt able to report concerns about actual or suspected wrongdoing at work without fear of reprisal.

Annual SoBC Training and Sign-off

Every year, our employees across all functions must formally confirm they have complied with the SoBC. Individuals complete an annual sign-off during which they undergo training and assessment, reaffirm their commitment to the SoBC and declare any personal conflicts of interest. The organization also completes an annual assessment of audit controls to assess and confirm that it has complied with SoBC controls and compliance procedures.

2022 Progress and Performance

In 2022, all the company employees confirmed that they had disclosed any conflicts of interest and completed their annual SoBC e-learning through the online portal. Other company employees who do not have easy online access were given various options to complete their SoBC sign-off (including via our SoBC app and refresher sessions conducted over Teams).

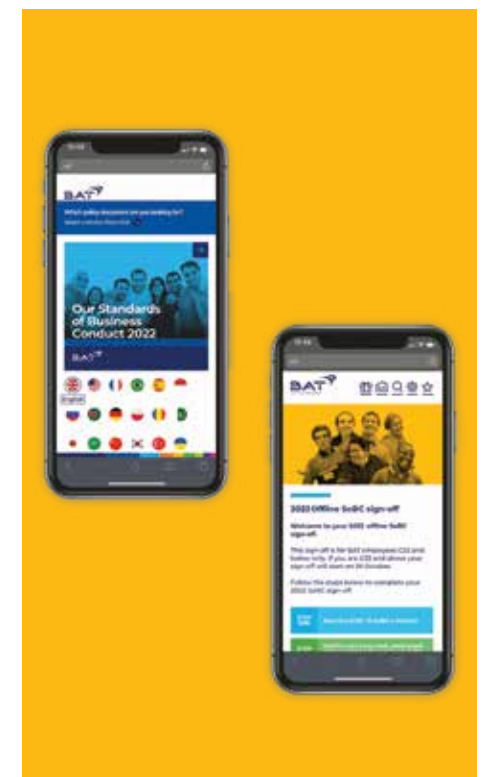
We encourage anyone working for, or with,

the Company to raise concerns, including regarding accounting or auditing matters, through a variety of channels, including its independently managed 'Speak Up' online portal and telephone hotline.

There were 12 SoBC breaches in 2022. All of the 12 SoBC breaches were assessed as SoBC allegations and reported to the Audit Committee. 6 were established as breaches and appropriate actions were taken.

1 was fully substantiated with 1 disciplinary action which resulted in the individual leaving the Company.

Number of SoBC breaches



Responsible Marketing & Transparent Communications

Our Approach at a Glance

We are clear that our products and marketing are aimed only at adult consumers and not designed to engage or appeal to children. This is a fundamental requirement of the International Marketing Principles (IMP). The IMP govern our marketing across all our product categories.

IMP set out the minimum standard and are applied even when they are stricter than local laws. We have a consistent and robust approach to prevent youth access, through retailer and consumer awareness campaigns, demonstrating high standards of corporate behaviour.

Why Responsible Marketing and Transparent Communications Matter

We firmly believe that tobacco and nicotine products should be marketed responsibly and to adults only.

We also believe that, with respect to our New Category products, marketing freedoms are critical for our ability to deliver on tobacco harm reduction. This is because informing adult tobacco and nicotine users about their attributes, including their reduced-risk*† profile in comparison to cigarettes, is key to motivating adult tobacco and nicotine users to switch to New Category products which would, in turn, reduce rates of smoking and smoking-related diseases.

Our Well-Established Approach to Marketing Products Responsibly

We grow our market share by encouraging adult consumers to choose our products over those of our competitors. In doing so, we aim to market our products responsibly while raising standards and preventing our products from ending up in the hands of those who are underage.

International Marketing Principles (IMP)

Our IMP govern our approach to marketing. They include five key principles, as stated below. We aim to apply these principles consistently across our product categories, even when they are stricter than local laws.

We hold our marketing suppliers to the

same high standards. Compliance with the IMP is part of our Supplier Code of Conduct (SCoC), which sets the minimum standards expected of our suppliers. In addition, IMP compliance is explicitly set out as a requirement in our contracts with our marketing suppliers.

In addition to the IMP, detailed compliance procedures, guidance and toolkits help our IMP to be applied consistently and effectively in the market.

Youth Access Prevention (YAP) is key to responsible marketing. We have a number of guidelines, standards and toolkits relating to YAP. These apply to all markets where our products are sold, including where they are distributed through third parties.

Responsible Marketing in a Digital Age

Our e-commerce and social media channels play an important role in accelerating our transformation, driving growth in New Categories, building strong brands of the future and digitising our business. However, it is critical that we do this in a responsible way, which is why we have clear rules and processes in place that seek to ensure responsible marketing in the digital space.

As a general rule, we only use social media sites where the majority of users are expected to be adults. Our social media accounts and our paid content on these platforms are only visible to those users who have confirmed that they are adults.

Where we use social media partnerships to promote New Category products, we select third-party partners who have at least an 85% adult following. When conducting social listening, our use of language-

analysis algorithms is rapidly improving our ability to identify and exclude posts made by anyone underage, whatever the platform.

In addition, our digital marketing hub continues to provide guidance on how to achieve long-term consumer satisfaction and product awareness in a responsible way.

PTC aiming for

100%

of our marketing to be responsible

A Consistent Approach

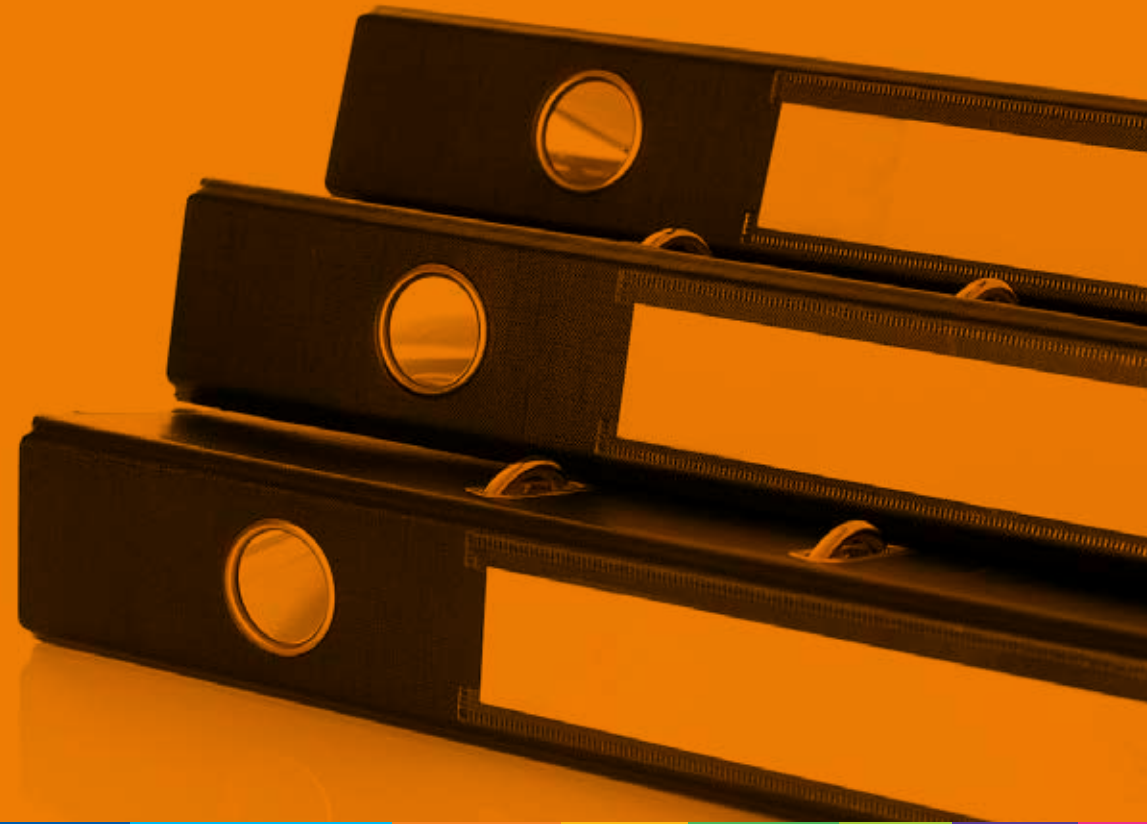
The International Marketing Principles (IMP) require that the marketing, across all the products, must be:

- 1 Responsible
- 2 Accurate and not misleading;
- 3 Targeted at adult consumers;
- 4 Transparent;
- 5 Compliant with all applicable laws.

* 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.

Appendix



Our ESG Practices Highlighted in Media

BUSINESS RECORDER

Edition: Islamabad

PTC inaugurates aerial seeding in Barakahu Reserve Forest

RECORDER REPORT
ISLAMABAD: Pakistan Tobacco Company Limited (PTC) in collaboration with the Ministry of Climate Change inaugurated the Aerial Seeding Event here on Wednesday.

The Chief Guest, Malik Amin Aslam, Special Assistant to the Prime Minister on Climate Change inaugurated this one-of-a-kind event; an afforestation activity that has never been undertaken before by any private sector organization in Pakistan.

The event commenced Aerial Seeding of seed balls in Barakahu Reserve Forest on nearly 700 acres of land. The chief guest dropped seed balls in the area whilst in the helicopter, formally marking the start of the plantation campaign.

SAPM on Climate Change, Malik Amin Aslam during his speech appreciated the efforts being made by PTC on reverse deforestation and congratulated them on initiating the aerial seeding. This initiative is commendable as Pakistan is already under immense pressure due to drastic change in the climate and such afforestation attempts to reclaim the lost forest cover of Pakistan will prove to be a great tool to ensure "A Better Tomorrow".

We will observe the results and once successful then we will be replicating this activity across Pakistan in the

coming years, he added. Director Legal & External Affairs, Asad Shah mentioned that PTC has currently the oldest and largest private sector afforestation programme in the country and has planted and distributed over 100 million trees since 1981 and this year we have embarked with a renewed commitment to our Environment, Social and Governance agenda. We have plans to plant and distribute 55 million plants this year, and the company aims at taking this number to over 100 million plants annually by 2023. Along with our plans to shift our operations to renewable energy, we aim to become amongst the biggest contributors to British American Tobacco's agenda of being carbon neutral by 2030.

He also stated that through 3D mapping of the Barakahu Reserve Forest, they will be continuously monitoring the results of this activity year on year basis. This new technology enables us to see the addition that we will be making to increase the forest cover.

The company representative, Muhammad Qasim, explained that each seed ball contains four seeds of indigenous species and have a success rate of more than 70%. The company has plans of dispersing 12 million seed balls during this activity in places across the country.

BUSINESS RECORDER

Edition: Islamabad

Pakistan Tobacco Co says it's reducing water footprint through effective stewardship

RECORDER REPORT
ISLAMABAD: Pakistan Tobacco Company Limited is reducing its water footprint through effective water stewardship and aims to recycle 20 percent of total water usage and water withdrawn by 2023, according to data released by the company on Tuesday.

According to UN statistics, 2.2 billion people around the world still lack safely managed drinking water, including 785 million without basic drinking water and by 2030 water scarcity could potentially displace 700 million people in Pakistan's context, the water availability continues to remain under pressure due to the growing population.

As per a report published by Pakistan Council of Research in Water Resources (PCRWR), Pakistan has already crossed the water quality threshold and if current trends persist, we could hit the absolute water scarcity threshold of 500 m³ per capita by 2025.

According to details released by the company here on Tuesday, Pakistan Tobacco Company (PTC) Limited has been steadily

reducing its water use and increasing water recycling for several years through carefully planned and executed upgrades in its water infrastructure. Compared to its 2017 baseline, PTC has now achieved an annualised reduction of 64 million litres of water with a forecast of 31 percent in its operations and commercial footprint.

Moreover, through innovative engineering, the company is also recycling 92 million litres of water per annum. While commenting on the company's efforts, Ali Akbar, MD and CEO of PTC said that the PTC recognizes that the looming climate change crisis poses serious threats to the availability and quality of water across the globe. While our industry is not particularly disrupted in our water resources, the all-pervading impact of climate change and the consequent disruptions in our water ecosystem are challenges to which no entity is immune.

We are fully aware that effective water stewardship is indispensable for the company's long-term success and for the communities in which we operate.

He further stated that the company's water steward-

ship strategy is to simultaneously focus on reducing its freshwater demand by recycling water and increasing the efficiency of its water infrastructure. The efficient treatment plants installed across its manufacturing sites are playing a key role in this regard as the treated water is being used to substitute freshwater usage in its utilities and auxiliary services. Additionally, to reduce water usage at farm level, PTC has also deployed drip irrigation units under its Farmer Support programme resulting in 231 million litres of water saving annually.

For 2023, PTC's ambition is to achieve 30% water recycling ratio and 54% water withdrawal reduction and is also pursuing Alliance for Water Stewardship (AWS) certification for all its sites.

The Frontier Post

Edition: Islamabad

Two water filtration plants inaugurated



NOVEMBER 1 Special Assistant to Chief Minister Khyber Pakhtunkhwa, Muzaffar Khan, inaugurated two water filtration plants in Khyber Pakhtunkhwa and FATA.

The water filtration plants will benefit more than 200,000 people annually in the area where PTC is committed for provision of clean drinking water to every resident of the area.

Special assistant to chief minister Khyber Pakhtunkhwa, Muzaffar Khan, on Tuesday inaugurated two water filtration plants in Khyber Pakhtunkhwa and FATA.

Speaking at the inauguration, Special Assistant to Chief Minister Khyber Pakhtunkhwa, Muzaffar Khan, said that the company has built and is maintaining 22 water filtration facilities in the province. Currently, the company has built and is maintaining 22 water filtration facilities in the province.

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Daily Times

Edition: Islamabad

Pakistan Tobacco Company recognised as top employer in Pakistan

Recognising the organisation's dedication to A Better Tomorrow™ through excellent HR policies and people practices, Top Employers Institute has announced Pakistan Tobacco Company (PTC) as a Top Employer in Pakistan for 2021.

The Top Employers Institute programme certifies organisations based on the participation and results of their HR Best Practice Survey. This survey covers six HR domains consisting of 20 aspects including People Strategy, Work Environment, Talent Acquisition, Learning, Diversity, Equity & Inclusion, Wellbeing and more.

PTC has been certified as a Top Employer by the renowned Top Employers Institute and is ranked in the top 3% of top employers in the benchmark group, based on its overall score of 95.44%. The company's top 3 scores were in the Develop, Shape and Value categories with scores of 99.43%, 98.33% and 96.73%, respectively.

Top Employers Institute CEO David Plank says: "Exceptional times bring out the best in people and organisations and we have witnessed this in our Top Employers Certification Programme this year; exceptional performance from the certified Top Employers 2021. These employers have always shown that they care for the development and well-being of their people. By doing so, they collectively match the world of work. We are proud to announce and celebrate this year's group of leading people-oriented employers: the Top Employers 2021."

While commenting on the achievement, Ali Akbar, PTC's Managing Director, said that ensuring rapid opportunity, favourable work environment and wellbeing for every individual attached to PTC is at the core of our mission and achieving that mission means incorporating it into everything we do, and every employee we build. Progress towards the ultimate goal of increased productivity can only be achieved if employees find a healthier workplace environment where they feel acknowledged, appreciated and supported, he added.

Top Employers Institute is the global authority on measuring excellence in People Practices. The programme has been recognised 2021 Top Employers in 121 countries/regions across five continents. These certified Top Employers positively impact the lives of over 9.5 million employees globally. #1 #1 #1 #1 #1

DAWN

Edition: Islamabad

Track, trace system to generate additional revenue: PM

Tarin praises FBR for rolling out the project for tobacco sector

By Our Staff Reporter

ISLAMABAD: Prime Minister Imran Khan has expressed the hope that the track and trace system (TTS) being launched in the country will help generate additional revenue.

The prime minister in a tweet on Friday described the launching of TTS by the Federal Board of Revenue (FBR) as more good news.

"It will boost additional revenue, digitise the economy, curb counterfeiting — all steps towards effective and transparent governance system," he maintained.

Earlier in the day, Finance Minister Shaukat Tarin inaugurated the much-awaited TTS at the Pakistan Tobacco Company (PTC), Islamabad.

FBR chairman Ashfaq Ahmed, along with Member Inland Revenue (Operations) Quaiser Iqbal, TTS Project Director Tahir Sheikh and PTC CEO Ali Khan attended the meeting. At the outset, Mr Tarin praised the FBR for rolling out this significant project for the tobacco sector which would help prevent leakage of revenue, under-reporting of production and sales of tobacco products and ensure proper payment of federal excise duty (FED) and sales tax on the manufacture and sale of the products.

The FBR is also preparing to implement TTS in sugar, fertiliser and cement sectors in the near future.

"TTS is a very comprehensive and robust electronic monitoring system, which is a paradigm shift from a conventional physical monitoring system. It is believed that installation of the TTS in the notified sectors would be a game-changer for improving revenue and curbing counterfeit products in the market," Mr Tarin said.

Mr Tarin said in an official announcement that it was heartening to see that the FBR had successfully issued a license and subsequently, signed a contract with AJCL/Metas/Authentix Consortium for installation of TTS on March 5, 2021.

This system is to be developed, operated and maintained by the licensee for notified sectors including tobacco products manufactured in and imported into Pakistan. For this purpose, the FBR was striving hard to implement the system for past 12 years, but unfortunately, it resulted in five unsuccessful attempts. However, in its sixth attempt, the FBR has procured one of the best TTS available after strenuous efforts of over a decade.

Mr Tarin said: "Our prime objective was to take the tax-to-GDP ratio to 20 per cent in coming years which currently stood at 8.12pc." He surmised that currently tax evasion of Rs70 billion was being done in the tobacco sector which made 25pc of market share.

The finance minister also stated that the Economic Advisory Council had been directed to identify more sectors where the TTS could be installed to increase revenue. FBR Chairman Ashfaq Ahmed said that electronic monitoring of common use products right from the entry point into the supply chain, that is, production or import till the exit-point, that is, purchase by end-consumers — broadly referred to as TTS — is being viewed as a watershed development in maximising revenue potential in the notified sectors.

"TTS entails application of Unique Identification Marks (UIMs) or Tax Stamps carrying covert, semi-covert, overt, forensic and digital features enabling electronic traceability of goods across the supply chain," he added.

He said that the UIMs applied on industrial products would help identify, isolate and curb the production, supply and movement of untaxed, counterfeit and smuggled goods thereby strengthening governance and rule of law in Pakistan.

"Presently, TTS is used in over 80 countries to apply about 10 billion UIMs on various products across the globe," he added.

Mr Ahmed reaffirmed that this system would be further strengthened by vigilant, efficient and fully equipped Inland Revenue Enforcement Network (IREN) and the federal government had already allocated Rs435 million for the purchase of vehicles, state-of-the-art equipment and latest technology driven gadgets for the enforcement network.

"The IREN will be able to combat evasion and leakages of taxes and duties payable on notified goods, through the Enforcement Squads that shall patrol the designated routes on which specified goods are moving and check a vehicle or any place of storage, wherein reportedly such specified goods are being transported, stored or kept," he explained.

Further Information

About this Report

This is a report by Pakistan Tobacco Company Limited; associate companies are excluded. References to 'Pakistan Tobacco Company', 'PTC', 'we', 'us', 'the Company' and 'our' when denoting opinion refer to Pakistan Tobacco Company Limited (the "Company").

Forward-Looking Statements

This report contains certain forwardlooking statements, including "forward-looking" statements. These statements are often, but not always, made through the use of words or phrases such as "believe," "anticipate," "could," "may," "would," "should," "intend," "plan," "potential," "predict," "will," "expect," "estimate," "project," "positioned," "strategy," "outlook," "target" and similar expressions. These include statements regarding our intentions, beliefs or current expectations reflecting knowledge and information available at the time of preparation, and concerning our results of operations, financial condition, liquidity, prospects, growth, strategies and the economic and business circumstances occurring from time to time in Pakistan, including the projected future financial and operating impacts of the COVID-19 pandemic.

All such forward-looking statements involve estimates and assumptions that are subject to risks, uncertainties and other factors. It is believed that the expectations reflected in this report are reasonable but they may be affected by a wide range of variables that could cause actual results to differ materially from those currently anticipated. Among the key factors that could cause actual results to differ materially from those projected in the forward-looking statements are

uncertainties related to the following:

- the impact of 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;
- 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.

The forward-looking statements reflect knowledge and information available at the date of preparation of this report and the Company undertakes no obligation to update or revise these forward-looking statements, whether as a result of new information, future events or otherwise. Readers are cautioned not to place undue reliance on such forward looking statement

Reporting Suite



PTC Annual Report

PTC Annual Report provides details of its evolved Company strategy, with sustainability at its heart. This includes PTC's clear corporate purpose to build A Better Tomorrow™ by transforming our business for a sustainable future.



Scan & Download



BAT Annual Report

BAT Group's Annual Report outlines how BAT Group is delivering against its purpose and putting sustainability at front and centre of its business. It provides detailed information about its policies, management approach, performance and targets for all its environmental, social and governance (ESG) priorities.



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Glossary

AFC Anti Financial Crimes	HR Human Resource	MDUs Mobile Doctor Units
ABAC Anti-Bribery and Anti-Corruption	HPHCs Harmful and Potentially Harmful Constituents	MO Modern Oral
AKF Akora Khattak Factory	IMP International Marketing Principles	MoU Memorandum of Understanding
AWS Alliance for Water Stewardship	ILO International Labour Organization	NRT Nicotine Replacement Therapy
BAT British American Tobacco	IWD International Women's Day	PPEs Personal Protective Equipments
BOM Battle of Minds	IWS Integrated Work System	PTC Pakistan Tobacco Company
CPA Crop Protective Agents	JF Jhelum Factory	SDGs Sustainable Development Goals
D&I Diversity and Inclusion	KPIs Key Performance Indicators	SoBC Our Standards of Business Conduct
EH&S Environment, Health & Safety	LEX Legal & External Affairs	THPs Tobacco Heating Products
ESG Environmental, Social & Governance	MCE Million Cigarette Equivalent	TM&D Trade Marketing & Distribution
FMCG Fast Moving Consumer Goods	MD Managing Director	YAP Youth Access Prevention

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