

CELEBRATING

120
YEARS

1902 - 2022



Accelerating A Better Tomorrow™

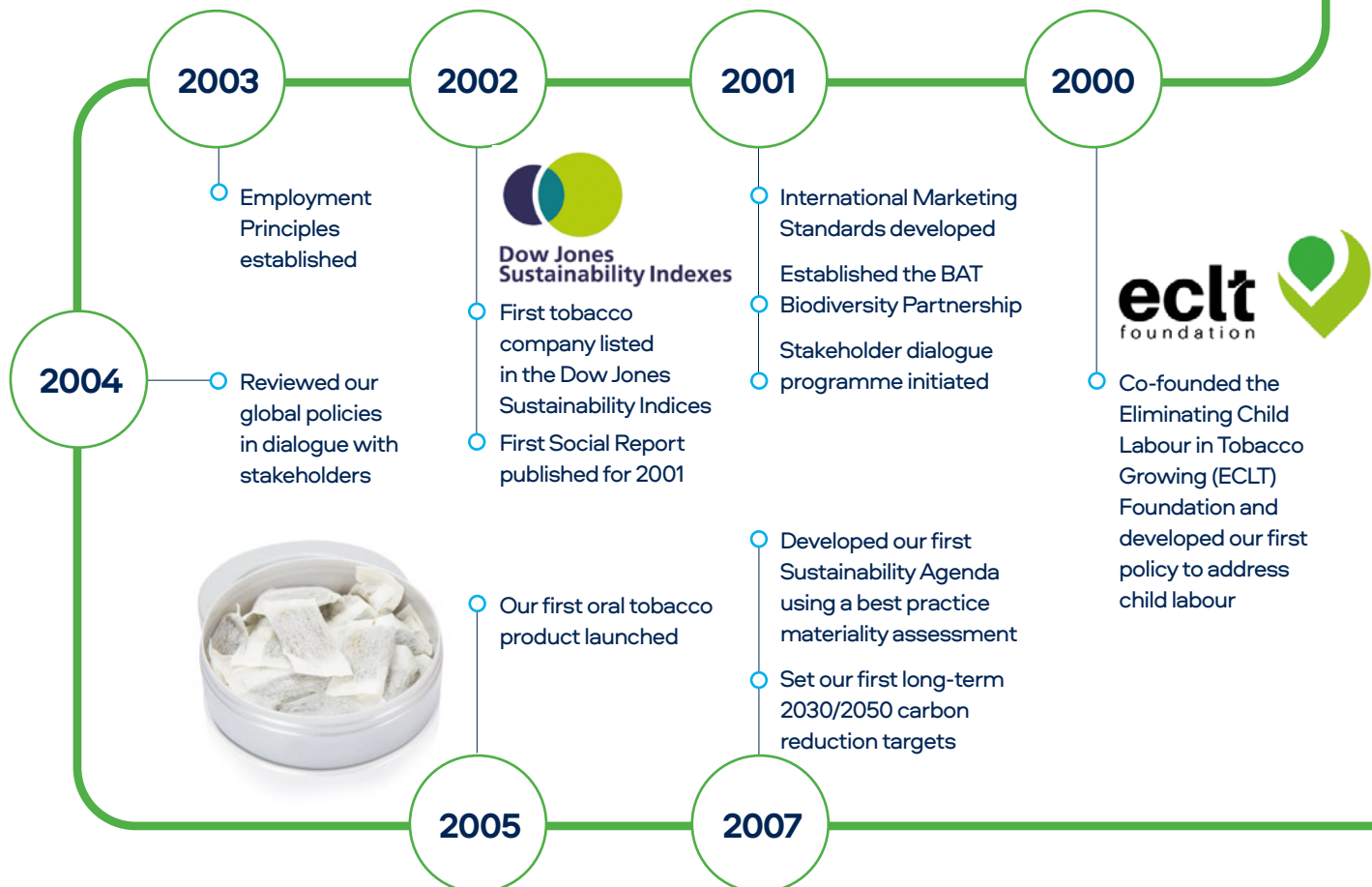
Combined Performance and ESG Summary 2021

BAT
A BETTER TOMORROW

20 years of

Sustainability reporting

2021 was a pivotal year, marking our 20th year in the Dow Jones Sustainability Indices and 20 years since we produced our first Social Report. We've learned a lot along the way. Now we are building on these strong foundations to accelerate progress towards a sustainable future and create A Better Tomorrow™ for all our stakeholders.



↓ CO₂e



Accelerating

Our A Better Tomorrow™ ambitions in numbers

£5 billion
in New Category revenues

100%
of plastic packaging capable of being reusable, recyclable or compostable and unnecessary single-use plastic removed

Zero
child labour ambition for our tobacco supply chain

Carbon Neutral
operations
(Scope 1 and 2)

50 million
non-combustible
product consumers

Net Zero
value chain

In October 2021, we signed up to the UN-backed Race to Zero global campaign, committing to set science-based targets aiming for net zero value chain emissions by 2050

2025

2030

2050



Our Purpose

To reduce the **health impact** of our business by offering a **greater choice** of enjoyable and **less risky** products

We are clear that combustible cigarettes pose serious health risks. The only way to avoid these risks is not to start or to quit. However, we encourage those who would otherwise continue to smoke to switch completely to scientifically-substantiated, reduced-risk alternatives.*†

In order to deliver this, BAT is transforming into a truly multi-category consumer products business, with a mission to stimulate the senses of new adult generations.

20 years of Sustainability reporting

Sustainability isn't new at BAT. 2021 was a pivotal year, marking our 20th year in the Dow Jones Sustainability Indices and 20 years since producing our first Social Report. We've learned a lot along the way. And now we are building on these strong foundations to accelerate progress towards a sustainable future and create A Better Tomorrow™ for all our stakeholders.

Member of

**Dow Jones
Sustainability Indices**

Powered by the S&P Global CSA

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

† Our products as sold in the U.S., including Vuse, Velo, Grizzly, Kodiak and Camel Snus, are subject to FDA regulation and no reduced-risk claims will be made as to these products without agency clearance.

Inside This Report

Chairman's Introduction	02
Responding to the COVID-19 Pandemic	03
Chief Executive's Review	04
Finance and Transformation Director's Overview	07
Our Year in Numbers	09
A Strategy for Accelerated Growth	10
Our Global Business	12
Our Consumer-Centric Multi-Category Portfolio	14
Our Nine-Step Business Model	16
Short-Term Deliverables	
to Fuel A Better Tomorrow™	19
Simplifying the Business and Accelerating	
the Enterprise of the Future	20
ESG Front and Centre	22
Our ESG Roadmap	23

Delivering A Better Tomorrow™

For Consumers	24
For Society and the Environment	26
For Employees	28
For Shareholders and Investors	30
Engaging with our Stakeholders	32
Awards and Recognition	34
Shareholding Administration and Services	35
Dividends	36

British American Tobacco p.l.c. (No. 3407696)

Combined Performance and ESG Summary 2021: Cautionary statement and other information

This Combined Performance and ESG Summary is extracted (without material adjustment) from, and should be read as an introduction to and in conjunction with, the 2021 Annual Report and Accounts and Form 20-F and the 2021 ESG Report of British American Tobacco p.l.c. (the Company) and the British American Tobacco Group (the "Group") prepared in accordance with UK requirements. It has been drawn up and is presented in accordance with, and reliance upon, applicable English company law and the liabilities of the Directors in connection with the report shall be subject to the limitations and restrictions provided by such law.

This Combined Performance and ESG Summary contains certain forward-looking statements, including "forward-looking" statements made within the meaning of the U.S. Private Securities Litigation Reform Act of 1995. 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 concerning, among other things, our results of operations, financial condition, liquidity, prospects, growth, strategies and the economic and business circumstances occurring from time to time in the countries and markets in which the Group operates, 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 that could cause actual future financial condition, performance and results to differ materially from the plans, goals, expectations and results expressed in the forward-looking statements and other financial and/or statistical data within this Combined Performance and ESG Summary.

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.

Further details on the principal risks that may affect the Group can be found in the 'Group Principal Risks' section of the Strategic Report of the 2021 Annual Report and Accounts and Form 20-F. A summary of all the risk factors (including the principal risks) which are monitored by the Board through the Group's risk register is set out in the section under the heading 'Group Risk Factors' in the Additional Disclosures section of the 2021 Annual Report and Accounts and Form 20-F. It is believed that the expectations reflected in this Combined Performance and ESG Summary 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.

Past performance is no guide to future performance and persons needing advice should consult an independent financial adviser.



Explore the story of our year

Featuring downloadable versions of this report, along with our ESG report and other content – all accessible on desktop, tablet and mobile.

www.bat.com/reporting

The forward-looking statements reflect knowledge and information available at the date of preparation of this Combined Performance and ESG Summary and the Group 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 statements. This Combined Performance and ESG Summary is provided for information only and is not intended to be a substitute for reading the 2021 Annual Report and Accounts and Form 20-F. In particular, this Combined Performance and ESG Summary does not comprise the Company's Strategic Report or any supplementary materials and it does not contain sufficient information to allow for as full an understanding of the results of the Group and the state of affairs of the Group, and the principal risks facing the Group, as would be provided by the 2021 Annual Report and Accounts and Form 20-F and 2021 ESG Report.

Shareholders may view a copy of the 2021 Annual Report and Accounts and Form 20-F and the 2021 ESG Report on www.bat.com or obtain a hard copy free of charge (contact details can be located on page 37 of this Combined Performance and ESG Summary). Specific local mailing and/or notification requirements will apply to shareholders on the South Africa branch register. If you have sold or transferred all your shares in British American Tobacco p.l.c., you should send this Combined Performance and ESG Summary to the bank, stockbroker or other agent through whom the sale or transfer was effected for transmission to the purchaser or transferee.

This Combined Performance and ESG Summary provides alternative performance measures (APMs) which are not defined or specified under the requirements of International Financial Reporting Standards (IFRS). We believe these APMs provide readers with important additional information on our business. A comprehensive list of the APMs that we use, an explanation of how they are calculated, why we use them and a reconciliation to the most directly comparable IFRS measure where relevant is set out under the heading 'Non-GAAP measures' in the Additional Disclosures section of the 2021 Annual Report and Accounts and Form 20-F.

BAT has shares listed on the London Stock Exchange (BATS) and the Johannesburg Stock Exchange (BTJ), and, as American Depositary Shares (ADSs), on the New York Stock Exchange (BTI).

References in this Combined Performance and ESG Summary to 'British American Tobacco', 'BAT', 'Group', 'we', 'us' and 'our' when denoting opinion refer to British American Tobacco p.l.c. and when denoting business activity refer to British American Tobacco Group operating companies, collectively or individually as the case may be. The material in this Combined Performance and ESG Summary is provided for the purpose of giving information about the Company to investors only and is not intended for general consumers. The Company, its Directors, employees, agents or advisers do not accept or assume responsibility to any other person to whom this material is shown or into whose hands it may come and any such responsibility or liability is expressly disclaimed. The material in this Combined Performance and ESG Summary is not provided for product advertising, promotional or marketing purposes. This material does not constitute and should not be construed as constituting an offer to sell, or a solicitation of an offer to buy, any of our products. Our products are sold only in compliance with the laws of the particular jurisdictions in which they are sold. References in this Combined Performance and ESG Summary to information on websites, including the web address of BAT, have been included as inactive textual references only. The websites and the information contained therein or connected there to are not intended to be incorporated into or to form part of this Combined Performance and ESG Summary.

Overview

Chairman's Introduction

Accelerating A Better Tomorrow™



Welcome to our Combined Performance and ESG Summary for 2021.

2021 has been a year of accelerated delivery, important strategic progress and continued adaptation – all achieved in the face of the ongoing pandemic.

Our teams around the world have worked tirelessly to deliver strong results across the business. Their efforts have helped ensure we continue to perform well as we build A Better Tomorrow™ by reducing the health impact of the business, and, in so doing, creating value for all stakeholders.

My appointment as Chairman was a great honour. I have enormous respect for the responsibilities that come with the role and I will do my utmost to provide thoughtful leadership to the Board and support for Jack Bowles and his team as we advance BAT's transformation.

The strong position BAT occupies is a mark of the work done by my predecessor as Chairman, Richard Burrows. During his tenure, Richard did an outstanding job of guiding the Group through challenging times. I want to thank him, on behalf of the Board, for his dedication.

Having served as a Non-Executive Director prior to my appointment as Chairman, I am fortunate to have worked with many colleagues on the Board for some time. I believe we have a wide-ranging combination of diversity, expertise, experience and knowledge that will help steer BAT through a landscape that is both uncertain and full of opportunities.

Enhancing Organisational Culture and Capabilities

The Board is very encouraged by the progress we have made this year in terms of talent and culture. We have continued to embed our ethos and have strengthened skills in numerous key areas, notably digital capabilities and the supply chain of our New Category products.

Our people have continued to demonstrate resilience and effectiveness in very testing conditions. Their commitment to our transformation has brought tangible improvements to execution across the Group.

Jack and his leadership team have developed a very coherent and compelling cultural agenda founded on purpose and responsibility. This has helped unite and inspire colleagues. Our purpose to build A Better Tomorrow™ encapsulates why we exist and what we aspire to accomplish as an organisation.

Strong ESG Foundations

BAT has been on its sustainability journey for more than 20 years. Sustainability and ESG are a core part of our long-term business strategy and are ingrained in our identity as a responsible, purpose-led business.

We continue to invest significant resources and energy in our sustainability agenda. BAT has set ambitious targets, including reaching 50 million consumers of its non-combustible products by 2030, and becoming carbon neutral in its operations for Scope 1 and 2 by 2030 and net zero across its wider value chain for Scope 1, 2 and 3 by 2050.

The performance of our New Category products has propelled the number of non-combustible product consumers to 18.3 million, ensuring we are well on track to meet our 2030 target of 50 million consumers.

Our commitment to delivering carbon neutrality was highlighted earlier this year when Vuse became the first global carbon neutral vape brand*.

Dividends and Share Buyback

The Board has declared a dividend of 217.8p per ordinary share, payable in four equal instalments of 54.45p per ordinary share, to shareholders registered on the UK main register or the South Africa branch register and to American Depository Shares (ADS) holders, each on the applicable record dates. The dividends receivable by ADS holders in US dollars will be calculated based on the exchange rate on the applicable payment dates. Further information on dividends can be found on pages 35 and 36.

The Board has also announced a £2 billion share repurchase programme for 2022, as part of our commitment to enhance shareholder returns.

Board Composition

Krishnan 'Kandy' Anand will join the Board as an independent Non-Executive Director and member of the Nominations and Remuneration Committees from 14 February 2022. Dr Marion Helmes will step down as a Non-Executive Director from the conclusion of the 2022 Annual General Meeting and will not stand for re-election.

Looking Forward

2021 was a pivotal year for BAT. Our performance was strong, we are building capabilities, actively managing our portfolio and transforming our culture. We expect 2022 to be a year of further strategic progress and we remain confident that we will meet our medium-term targets as we continue to build A Better Tomorrow™.

Luc Jobin
Chairman

* As verified by Vertis based on product Life Cycle Assessment data provided by an independent third party, taking into account the Group's purchase of carbon credits through reforestation projects.



Our Response to the COVID-19 Pandemic

As the global COVID-19 pandemic continues to evolve, so does the Group's response. We remain fully committed to supporting all our stakeholders throughout the pandemic and have responded rapidly to the evolving situation, taking action to protect their interests.

Keeping the Group Operating in a Time of Crisis

The COVID-19 pandemic continues to impact the lives of many people around the world, with temporary restrictions and lockdowns across many countries leading to changes in consumer behaviour and in our operating environments.

The Group continues to navigate the challenges associated with the pandemic with effective crisis management and risk management processes in place, and remains a financially resilient business.

Our Board has maintained close oversight of the Group's response to the impact of COVID-19 throughout this period.

The Group remains financially robust, with the 65% dividend pay-out ratio of long-term earnings maintained. This demonstrates the confidence in the Group's ability to continue to navigate COVID-19 with the associated macro- and socio-economic challenges and uncertainty this international crisis brings.

Looking After our People

Throughout the pandemic, we have prioritised the health and wellbeing of our people. We have not furloughed any staff or utilised any government schemes (or subsidies) as a result of the pandemic, other than in respect of the deferral of tax instalment payments, largely in the U.S. in 2020.

We continue to strictly adhere to guidance from governments and public health authorities, as well as our own health and safety risk assessments, to ensure that our workplaces are COVID-19 secure.

Our digital transformation has enabled us to continue to utilise remote home working when needed, ensuring all employees and customers stay connected, while continuing to invest in the development of new capabilities through virtual training programmes.

In many parts of the world, including our global headquarters in the UK, we have introduced a hybrid working model as appropriate and as the local regulations allow. We have implemented COVID-19-secure workplace measures for employees who have returned to their workplace. These include regular cleaning and sanitising, temperature checkpoints and COVID-19 testing.

For all employees, we are also making sure they are aware of the extensive wellbeing support available to them, including:

- Online medical consultations;
- Counselling services; and
- Mental health support.

Vaccine Development

In December of 2020 an initial New Drug Application for our COVID candidate vaccine was approved by the U.S. Food and Drug Administration (FDA) and we progressed into a Phase 1 study. This study has now been fully recruited and remains ongoing. We expect data to be available during Q1 of 2022 and will determine next steps based on these data, but also the rapidly evolving COVID-19 and treatment landscape.

In addition to the ongoing clinical studies, further pre-clinical work was also completed which reinforced the potential of the plant-based platform. The team successfully produced 19 different monoclonal antibodies that met pharmaceutical requirements in about 10 days, demonstrating the flexibility, consistency and speed of the plant-based system to produce clinical-quality antibodies.

To accelerate the research, development and production of novel treatments, BAT launched KBio Holdings Limited (KBio) in January 2022. The company has been created to leverage the existing and extensive plant-based technology capabilities of BAT and Kentucky BioProcessing Inc (KBP), the existing BAT-owned U.S. plant biologics organisation.

Testing and Logistical Support

The forms of direct support we have deployed to address the global impact of COVID-19 have continued to evolve. We have:

- Provided personal protective equipment and other essential items to communities in which we operate;
- Loaned testing equipment to the UK Government;
- Provided access to 3D printers to help produce protective face shields; and
- Donated to many funds around the world focusing on supporting local COVID-19 responses.

Supporting our Suppliers and Communities

Protecting the communities where we operate is an important pillar of our response to the pandemic.

We have harnessed our strengths in science, engineering and logistics to support national responses to COVID-19.

We have distributed thousands of items of PPE, sanitation kits, food and other essential items to our contracted farmers and their communities.

We have also leveraged our existing farmer communication channels, including mobile apps, web portals, local media spots, videos and fact sheets, to rapidly deploy essential COVID-19 information, often to remote rural communities.

Some tobacco growing communities may be particularly vulnerable to both the virus and the economic implications of a global pandemic. We are taking great care that we don't increase the immediate vulnerability of these communities and are committed to supporting them during the inevitable economic recovery that will follow.



Overview

Chief Executive's Review

A pivotal year on our journey to build A Better Tomorrow™



“2021 was a pivotal year in BAT’s transformation. Our commitment to change, while delivering value to stakeholders, can be seen in the progress that has been made on our strategic priorities.”

“As part of a new longer-term active capital allocation framework, we have announced a £2 billion share repurchase programme for 2022, to enhance shareholder returns, in addition to growing our dividend.”

“With strong foundations in place, we now embark on the next phase of our journey – Faster Transformation – towards A Better Tomorrow™.”

“As consumer preferences and technology rapidly evolve, the availability of scientifically-substantiated, less risky*† products is crucial to effective tobacco harm reduction and we are determined to transform our business.”

Dear Stakeholders,

2021 was a pivotal year in BAT’s transformation. Our commitment to change, while delivering value to stakeholders, can be seen in the progress that has been made on our strategic priorities.

We increased New Category revenue by over 40% (or over 50% excluding foreign exchange), reached a total of 18.3 million (up 4.8 million) consumers of our non-combustible products, New Categories losses^ reduced for the first time, contributing to earnings growth and we brought Group leverage down to c.3x.

Foreign exchange has been a significant headwind on our reported results, with revenue down 0.4%. However, at constant rates of exchange, we have delivered strong financial results, with revenue up 6.9% and with operating cash conversion ahead of our target of at least 90%.

As part of a new longer-term active capital allocation framework, we have announced a £2 billion share repurchase programme for 2022, in addition to maintaining a growing dividend. This reflects our commitment to enhance shareholder returns.

I would like to thank all our people and our partners for their continued focus and commitment in delivering our strong results throughout this difficult COVID-19 period.

With strong foundations in place, we now embark on the next phase of our journey – Faster Transformation – towards A Better Tomorrow™: £5 billion of revenue and profitability from New Categories by 2025 and development of opportunities Beyond Nicotine, leveraging our knowledge and capabilities from New Categories.

Building A Better Tomorrow™

Our purpose of building A Better Tomorrow™ by reducing the health impact of our business means that we are committed to our business transformation.

During 2021, our focus has been on developing and delivering consumer-focused products and brands:

- The growth, from 13.5 million to 18.3 million, in consumers of non-combustible products was our strongest to date;
- Non-combustible products now account for 12% of Group revenue, up from 4% in 2017;
- Revenue from our vapour products was up 52%, with our global brand, Vuse, now the leading global vapour brand by value share;
- Following volume share gains in ENA and Japan, revenue from our THP, glo, was up 34%; and
- Revenue in the Modern Oral category, largely through Velo, was up 39%.

As consumer preferences and technology rapidly evolve, the availability of scientifically-substantiated, less risky*† products is crucial to effective tobacco harm reduction and we are determined to transform our business.

ESG Front and Centre

Sustainability has been central to our business and ethos for more than two decades.

In 2001, we established our first group-wide environment, health and safety systems, the BAT Biodiversity Partnership and a programme of independently facilitated social dialogue. This year, we published our 20th ESG Report.

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

† Our products as sold in the U.S., including Vuse, Velo, Grizzly, Kodiak, and Camel Snus, are subject to FDA regulation and no reduced-risk claims will be made as to these products without agency clearance.

Our strategy has a clear focus on environmental, social and governance (ESG) priorities, including addressing climate change and excellence in environmental management, delivering a positive social impact and ensuring robust corporate governance.

We have many bold ESG targets, including becoming a carbon neutral business by 2030 and making all plastic packaging reusable, recyclable or compostable by 2025.

In 2021, we also signed up to the UN-backed Race to Zero global campaign and committed to setting science-based targets aiming for net zero value chain emissions by 2050.

Our sustainability actions have long been recognised externally and, in 2021, we were named in the Dow Jones Sustainability Indices (DJSI) for the 20th consecutive year.

We continue to strive for excellence and look for new ways to reduce our resource use, preserve the natural environment, improve the lives of farmers and communities, and uphold robust corporate governance standards.

Our Performance for Year Ended 31 December 2021

We performed strongly across our key indicators during the year ended 31 December 2021.

Due to a foreign currency headwind of 7.3%, revenue was lower than 2020 (down 0.4%) at £25,684 million. At constant rates of exchange, the Group revenue increased 6.9%.

Currency headwinds also impacted profit from operations, increasing by 2.7% to £10,234 million with diluted earnings per share up 6.0%.

Excluding adjusting items and the impact of foreign exchange, adjusted profit from operations, at constant rates of exchange, grew by 5.2% and adjusted diluted earnings per share grew by 6.6%.

Reported operating margin grew by 120 bps to 39.8%. On an adjusted basis, it fell by 70 bps at current rates.

We have continued to demonstrate the ongoing strength of the Group in turning operating performance into cash with operating cash conversion of 104% (partly due to the structural excise changes in Australia), ahead of our target of at least 90%, being a key contributor in delivering our deleveraging ambitions.

Delivering a Step Change in New Categories

Fundamental to building A Better Tomorrow™ is the acceleration of our transformation and investing to provide our consumers with enjoyable, less risky^{††} products.

We encourage those consumers who would otherwise continue to smoke to switch completely to scientifically-substantiated, reduced-risk alternatives^{††}.

Each of our New Category brands grew revenue by more than 30%, with total New Categories revenue up 42.4% to £2,054 million. Excluding the impact of foreign exchange, adjusted revenue from New Categories, at constant rates of exchange, grew 50.9%.

The performance of our reduced-risk^{††} portfolio of New Category products, encompassing our strong global brands, Vuse, glo and Velo, places us on track to reach the targets we set ourselves of:

- £5 billion of revenue and profitability in our New Categories by 2025; and
- 50 million consumers of non-combustible products by 2030.

Driving Value from Combustibles

The continued performance of our combustibles business will generate the funds necessary to invest in New Categories and transform the business.

Group cigarette value share increased by 10 bps compared with 2020, driven by the continued positive performance of the strategic cigarette brands in the U.S. (up 80 bps).

Group cigarette volume share fell 10 bps. Pricing continued to be strong, with combustibles price/mix of 4.3%.

Group cigarette volume was largely in line with 2020, down just 0.1% to 637 bn sticks, (with the industry estimated to be broadly in line with 2020), driven by our performance in emerging markets and partly due to trade inventory movements in the U.S. (mainly linked to the timing of price increases and uncertainty about a potential excise increase) which are expected to unwind in early 2022.

“Our strategy has a clear focus on environmental, social and governance (ESG) priorities, including addressing climate change and excellence in environmental management, delivering a positive social impact and ensuring robust corporate governance.”

“We performed strongly across our key indicators during the year ended 31 December 2021.”

“Each of our New Category brands grew revenue by more than 30%, with total New Categories revenue up 42.4% to £2,054 million.”

“Group cigarette value share increased by 10 bps compared with 2020, driven by the continued positive performance of the strategic cigarette brands in the U.S. (up 80 bps).”

[†] Based upon Category Contribution – defined as profit from the sale of brands after directly attributable costs (including marketing expenses) and before the allocation of overheads

Overview

Chief Executive's Review

Continued

“The next phase of our transformation to build A Better Tomorrow™ focuses on creating a sustainable Enterprise of the Future.”

“Across the business, we are already seeing the benefits of our organisational transformation programme, Quest.”

“The BAT of tomorrow will be a high-growth, consumer goods company: global, consumer-centric and multi-category.”

“Through this transformation we are committed to generating sustainable shareholder and societal value – building A Better Tomorrow™.”

“Quest is delivering this enterprise of the future, an organisation with sustainability at its core, founded on strong global brands, driven by innovation, enabled by digital tools and technology, simplified by Quantum, and powered by our people.”

Simplifying the Business

The next phase of our transformation to build A Better Tomorrow™ focuses on creating a sustainable Enterprise of the Future.

Across the business, we are already seeing the benefits of our organisational transformation programme, Quest, which has been designed to enhance our existing strengths and extract further value for the business. The five Quest accelerators are:

- **Quantum**, our multi-year simplification programme, which continues to drive efficiencies and, in 2021, enabled incremental annual savings of £595 million;
- **Unleashing Innovation** is becoming increasingly ingrained across the business. Our digital hubs, corporate venturing initiative and innovation centres are helping us stay ahead, while our continued investment in R&D enables us to satisfy or anticipate consumer preferences and generate growth for the business across all categories;
- **Empowering our Organisation** and enabling our people to deliver remains a key driver of growth. We are providing more tools and training across the business to support and drive new ways of working;
- **Shaping Sustainability** continues to be front and centre in our decision-making, finding ways of accelerating and connecting our sustainability journey with our purpose; and
- **Technology and Digital** is advancing at speed, with new digital channels, data and analytics supporting growth of our New Categories in e-commerce with margins above other retail channels and higher customer loyalty.

Confidence in Our Future

The BAT of tomorrow will be a high-growth, consumer goods company: global, consumer-centric and multi-category.

We are confident in delivering a faster transformation, continued robust financial performance and superior cash returns to shareholders in what remains a turbulent external environment.

Quest is delivering this enterprise of the future, an organisation with sustainability at its core, founded on strong global brands, driven by innovation, enabled by digital tools and technology, simplified by Quantum, and powered by our people.

Through this transformation we are committed to generating sustainable shareholder and societal value – building A Better Tomorrow™.

Jack Bowles
Chief Executive

Financial Review

Finance and Transformation Director's Overview



“ In this pivotal year, we have grown New Categories revenue, invested in the future of the business and deleveraged. This has allowed us to continue to reward shareholders with higher dividends and announce a £2 billion share repurchase programme. We believe we are well placed to maximise our future potential. ”

“ Revenue growth from New Categories performance and strong combustibles pricing, particularly in the U.S., more than offset by foreign exchange headwinds. ”

“ We have increased our Quantum enabled savings expectations from £1 bn to £1.5 bn. ”

“ Profit from operations was up 2.7% (2020: up 10.5%), as growth in revenue and reduction in losses from New Categories, a strong combustibles pricing environment and operational efficiencies were partly offset by foreign exchange. ”

Group Transformation Underpinned by Financial Delivery

2021 was a pivotal year in our transformational journey. We have delivered a step change in New Categories, reconfigured our business capabilities for the future, delivered value through combustibles and deleveraged the balance sheet. We believe these achievements position us well for the future, and have allowed us to deliver growth in our key financial indicators (excluding translational foreign exchange impacts) in the year.

Pricing and New Categories Drive Revenue Growth

Revenue declined 0.4% to £25,684 million compared to 2020 (while 2020 was marginally lower than 2019, down 0.4% to £25,776 million).

Revenue from New Categories was up 42.4% in 2021 and 14.9% in 2020, while combustibles pricing remained strong (particularly in the U.S.), with Group price/mix of 4.3% in 2021 compared to 7% in 2020. Price/mix was lower largely due to negative geographic mix as markets began to recover from the impact of COVID-19, the impact of structural excise changes and a competitive environment in Australasia (estimated at £260 million) and the disposal of the Group's operations in Iran. These were partly offset by the benefit of trade inventory movements in the U.S. (the impact of which is estimated to be £200 million and expected to unwind in 2022). A translational currency headwind, due to the relative strength of sterling, negatively impacted both periods, by approximately 7.3% in 2021 and 3.5% in 2020.

On a constant currency basis, revenue was up 6.9% in 2021 and 3.3% in 2020, with 2020 also negatively impacted by COVID-19 (approximately 2.5%) due to the disruption and restrictions affecting certain markets (including South Africa and in Global Travel Retail).

Growth in Profit from Operations While Investing in New Categories

Profit from operations increased by 2.7% to £10,234 million, with 2020 up 10.5% to £9,962 million. Revenue growth, a reduction in losses from New Categories and operational efficiencies achieved under the Group's restructuring programme (Project Quantum) were partly outweighed by the translational foreign exchange headwinds and a transactional foreign exchange headwind of 1.7%. 2021 included a number of one-off items, including in respect of the disposal of the Group's subsidiary in Iran (£358 million related to foreign exchange losses and asset write-off costs), an impairment charge of £54 million in Peru and a combined credit in the U.S. of £94 million (related to the partial buy-out of the pension fund and the finalisation of the dissenting shareholders litigation). However, these were lower than those recognised in 2020 in respect of goodwill impairment (£209 million largely related to Malaysia) and charges in the U.S. (£400 million) largely related to the state settlement agreements in respect of brands sold to a third party in a prior period.

Our operating margin was 120 bps higher at 39.8% in 2021 (2020: up 380 bps to 38.6%).

On an adjusted constant currency basis, profit from operations grew by 5.2% (2020: up 4.8%). This was driven by higher revenue and efficiencies delivered in both 2021 and 2020 as part of Project Quantum (which increased its delivery expectations from £1 billion to £1.5 billion) and lower losses from New Categories. Adjusted operating margin (at current rates) fell 70 bps to 43.4% (2020: up 100 bps to 44.1%), partly due to the proportionate growth in New Categories revenue (with the Group continuing to invest in those categories), higher revenue in lower margin markets and a transactional foreign exchange headwind of 1.7%.

Financial Review

Finance and Transformation
Director's Overview Continued

“Dividends per share increasing by a further 1.0%, underpinned by the financial strength of our business.”

“Cash flow generation remains extremely robust, allowing us to deleverage while investing for the future.”

“We remain committed to consistent and sustainable long-term 3-5% revenue growth (excluding currency) and a growth in dividend.”

“The Group continues to deliver against the financial objectives. This has allowed the Group to continue to reward shareholders with growth in dividends and announce a £2 billion share repurchase programme all while investing in A Better Tomorrow™.”

Future Funding De-Risked Through Proactive Action

Our liquidity profile remains strong, with average debt maturity close to 10 years and maximum debt maturities in any one calendar year of around £4 billion.

In September 2021, the Group issued perpetual hybrid bonds totalling €2 billion. These euro-denominated securities contribute to a more efficient alignment of the Group's earnings currency. They also contribute to the diversification of the Group's sources of funding and further strengthens its capital structure. The issuance provides the additional benefit of supporting the deleveraging journey with the addition of a small benefit to the credit metrics. Our medium-term rating target remains BBB+/Baa1, with a current rating of BBB+/Baa2*.

Net finance costs in 2021 were £1,486 million, a decrease of 14.8% on 2020 (£1,745 million, itself an increase of 8.9%). The reduction in 2021 was partly driven by a foreign exchange tailwind. However, 2020 included net charges of £142 million in respect of the early redemption and tender offer in that year as the Group reduced future refinancing risk by raising £8.9 billion in the US dollar, euro and sterling markets, using the proceeds to repurchase and redeem £3.1 billion of bonds. This de-risked the future repayment profile by securing lower interest rates and future liquidity in uncertain times. On an adjusted, constant rate basis, net finance costs declined 4.5% in 2021 (2020: up 5.9%).

As part of the Group's de-risking of future funding, during 2020 gross interest cover ceased to be a covenant in the Group's debt facilities.

EPS Growth Underpins Dividend Increase

On a reported basis, basic EPS was up 6.0% at 296.9p (2020: up 12.1% at 280.0p) with diluted EPS up 6.0% to 295.6p (2020: up 12.0% to 278.9p), largely due to the net reduction in adjusting charges in 2021 and lower net finance costs, which more than offset the impact of foreign exchange on the Group's operations.

Excluding the adjusting items (discussed on pages 76 and 77 of the 2021 Annual Report and Accounts and Form 20-F) and the effect of foreign exchange on the Group's results, adjusted diluted earnings per share, at constant rates, increased by 6.6% to 353.5p, with 2020 ahead of 2019 by 5.5%.

Cash Generation Drives Debt Deleveraging

We continue to focus on a balanced approach of deleveraging, while investing for the future and providing a return via dividends to shareholders.

The Group's cash conversion ratio, based upon net cash generated from operations, was 95% (2020: 98%) and the operating cash conversion ratio was 104% (2020: 103%). The Group realised £9.7 billion (2020: £9.8 billion) of net cash generated from operating activities, or £2.5 billion (2020: £2.6 billion) of free cash flow after dividends – which is a measure the Group uses to assess total cash generated by the Group with which to repay borrowings.

Consequently, in 2021, total borrowings (including lease liabilities) have reduced from £43,968 million in 2020 to £39,658 million in 2021, due to the net repayment of borrowings in the year (including refinancing via issuance of perpetual hybrid bonds) and a currency tailwind of £409 million (2020: tailwind of £219 million). We continued to deleverage our balance sheet with adjusted net debt to adjusted EBITDA ratio improved from 3.3 times to 3.0 times.

Active Capital Allocation Framework

Our deleverage and cash flow generation provide the flexibility to adopt a more active capital allocation framework to deliver long-term value for shareholders.

This will include:

- continuing to grow the dividend;
- maintaining our target leverage corridor of 2-3x adjusted net debt / adjusted EBITDA;
- potential bolt-on M&A opportunities; and
- share buybacks to enhance shareholder returns.

The Board will prioritise capital allocation opportunities each year in-line with this new longer-term active capital allocation framework, while continuing to take into account macro and fiscal influences, and potential regulatory and litigation outcomes.

As a first step, we have announced a dividend increase of 1.0% to 217.8p (with a dividend pay-out ratio of 66.2%) and a £2 billion share repurchase programme for 2022.

Tadeu Marroco

Finance and Transformation Director

* A credit rating is not a recommendation to buy, sell or hold securities. A credit rating may be subject to withdrawal or revision at any time. Each rating should be evaluated separately of any other rating.

Our Year in Numbers

Our performance metrics	Target/Ambition	2021	%	2020	%	2019	IFRS-GAAP KPI	Non-GAAP
Consumer								
Number of Non-Combustible Product Consumers	50 million consumers by 2030	18.3m		13.5m		10.5m		
Market Share								
Cigarette and THP volume share growth (bps)	Grow by 0-10 bps (2021)	+10 bps		+30 bps		+20 bps	■ ●	
Cigarette and THP value share growth (bps)		+20 bps		+20 bps		+30 bps		
Volume								
Cigarettes (bn sticks)		637	0%	638	-5%	668		
Other Tobacco Products (bn stick equivalents)		18	-9%	20	-2%	21		
Vapour (mn 10ml units/pods)		535	+56%	344	+52%	226		
THP (bn sticks)		19	+79%	11	+19%	9		
Modern Oral (mn pouches)		3,296	+70%	1,934	+62%	1,194		
Traditional Oral (bn stick equivalents)		8	-4%	8	-1%	8		
Financial								
Revenue (£m)		25,684	-0.4%	25,776	-0.4%	25,877	● ■ ■	
Adjusted Revenue at cc (%) ^{1,2}	3-5% CAGR		+6.9%		+3.3%		■ ● ●	
Revenue from New Categories (£m)	£5 billion by 2025	2,054	+42.4%	1,443	+14.9%	1,255	● ■ ■	
Revenue from New Categories at cc (%) ¹			+50.9%		+15.4%		■ ● ●	
Profit from Operations (£m)		10,234	+2.7%	9,962	+10.5%	9,016	● ■ ■	
Adjusted Profit from Operations at cc (%) ^{1,2}	Increase 4.0% to 6.5% (2021)		+5.2%		+4.8%		■ ● ●	
Operating Margin (%)		39.8%		38.6%		34.8%	● ■ ■	
Adjusted Operating Margin (%) ²		43.4%		44.1%		43.1%	■ ■ ●	
Diluted Earnings per Share (p)		295.6	+6.0%	278.9	+12.0%	249.0	● ■ ■	
Adjusted Diluted Earnings per Share (p) ²	5-10% CAGR	329.0	-0.8%	331.7	+2.4%	323.8	■ ● ●	
Adjusted Diluted Earnings per Share at cc (%) ^{1,2}	5-10% CAGR		+6.6%		+5.5%		■ ● ●	
Dividends per Share (p)		217.8	+1.0%	215.6	+2.5%	210.4		
Dividend Pay-Out Ratio (%)	65% of long-term earnings	66%		65%		65%		
Net Cash Generated from Operating Activities (£m)		9,717	-0.7%	9,786	+8.8%	8,996	● ■ ■	
Free Cash Flow after Dividends (£m)		2,543	-0.3%	2,550	+32.7%	1,921	■ ■ ●	
Cash Conversion (%)		95%		98%		100%	● ■ ■	
Operating Cash Conversion (%)	85-95% each year on average	104%		103%		97%	■ ● ●	
Borrowings, including Lease Liabilities (£m)		39,658	-9.8%	43,968	-3.1%	45,366	● ■ ■	
Adjusted Net Debt to Adjusted EBITDA (ratio) ²	Around 3.0x by year end 2021	3.0x		3.3x		3.5x	■ ● ●	
Adjusted Return on Capital Employed (%) ²		9%		10%		9%		
Total Shareholder Return (rank)		17 of 24		20 of 23		21 of 23	■ ●	

ESG

 Find our key ESG goals, targets and metrics in our ESG Roadmap on page 23.

Please refer to pages 304 to 313 of the 2021 Annual Report and Accounts and Form 20-F for definitions of the Non-GAAP measures. See the section 'Non-Financial Measures' on page 302 for more information on these non-financial KPIs.

- Where measures are presented 'at constant rates' or 'at cc', the measures are calculated based on a re-translation, at the prior year's exchange rates, of the current year results of the Group and, where applicable, its segments. See page 83 of the 2021 Annual Report and Accounts and Form 20-F for the major foreign exchange rates used for Group reporting.
- Where measures are presented as 'adjusted', they are presented before the impact of adjusting items. Adjusting items represent certain items of income and expense which the Group considers distinctive based on their size, nature or incidence.

Strategic Management

A Strategy for Accelerated Growth

In 2021, 12% of Group revenue was from non-combustible products. This was achieved through a multi-category approach which is the very essence of our purpose to build A Better Tomorrow™ – providing adult consumers with a range of enjoyable and less risky*† choices for every mood and moment.

The model below outlines the key components of how we are building A Better Tomorrow™, from our mission to stimulate the senses of adult consumers worldwide and the outcomes this will deliver for stakeholders, to the ethos that guides our decision making.



Our Mission

Stimulating the Senses of New Adult Generations

Today, we see opportunities to capture consumer moments which have, over time, become limited by societal and regulatory shifts, and to satisfy evolving consumer needs and preferences.

Our mission is to anticipate and satisfy this ever-evolving consumer: provide pleasure, reduce risk, increase choice and stimulate the senses of adult consumers worldwide.

Must Wins

High Growth Segments

Driven by our unique and data-driven consumer insight platform (PRISM), we will focus on product categories and consumer segments across our global business that have the best potential for long-term sustainable growth.

Priority Markets

By relying on a rigorous market prioritisation system (MAPS), we will focus the strengths of our unparalleled retail and marketing reach, as well as our regulatory and scientific expertise, on those markets and marketplaces with the greatest opportunities for growth.

How We Win

Inspirational Foresights

Built on our successful history, we have a unique view of the consumer across all of our product categories, which is increasingly driven by powerful data and analytics.

These insights ensure that the development and responsible marketing of our products is fit to satisfy consumer needs.

Remarkable Innovation

As consumer preferences and technology evolve rapidly, we rely on our growing global network of digital hubs, innovation super centres, world-class R&D laboratories, external partnerships and our corporate venturing initiative to stay ahead of the curve.

Powerful Brands

For over a century, we have built trusted and powerful brands that satisfy our consumers and serve as a promise for quality and enjoyment. We will build the brands of the future by focusing on fewer, stronger and global brands across all our product categories, delivered through our deep understanding and segmenting of our consumers.

Connected Organisation

Few companies can claim over 150 million daily consumer interactions, over 11 million retail points of sale and a global network of expert employees around the world. Cultivating an ecosystem that directly connects us with consumers and stakeholders, especially through the power of digital technology, ensures we can build the brands of the future, deliver access to markets and foster innovations that offer sensorial enjoyment and satisfy consumer needs.

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

† Our products as sold in the U.S., including Vuse, Velo, Grizzly, Kodiak and Camel Snus, are subject to FDA regulation and no reduced-risk claims will be made as to these products without agency clearance.



“2021 was indeed a pivotal year, with constant currency New Category revenue growth of over 50% combined with our reaching a total of 18.3 million consumers (up 4.8 million) of our non-combustible products. It is clear that our transformation towards A Better Tomorrow™ is accelerating.”

Kingsley Wheaton
Chief Marketing Officer



People and Partnerships

Our highly-motivated people are being empowered through a new ethos that is responsive to constant change, embodies a learning culture and is dedicated to continuous improvement. But we cannot succeed on our own, and our partnerships with farmers, suppliers and customers are also key for ensuring sustainable future growth.

U.S. Focus

The United States comprises nearly half of our global business. It is also the single largest economy in the world, the largest single centre for technology and the key driver of global consumer trends, and is where we have the deep consumer understanding and financial strength to support the delivery of our mission to stimulate consumer senses around the rest of the world.

Our Purpose

By stimulating the senses of new adult generations, our purpose is to create A Better Tomorrow™ for all our stakeholders.

We will create A Better Tomorrow™ for:

Consumers

By responsibly offering enjoyable and stimulating choices for every mood and every moment, today and tomorrow;

Society

By reducing the health impact of our business by offering a range of alternative products, as well as by reducing our environmental and social impacts;

Employees

By creating a dynamic, inspiring and purposeful place to work; and

Shareholders & Investors

By delivering sustainable and superior returns.

For more information about our purpose see inside front cover

Short-Term Deliverables to Fuel A Better Tomorrow™

Simplify the Business

Our ongoing simplification programme, Project Quantum, is expected to realise £1.5 billion of annualised savings through simplification and efficiencies by the end of 2022.

Ensure a Step Change in New Categories Performance

With our unique cross-category consumer understanding, we are clear there is a huge opportunity for our New Categories.

Drive Value From Combustibles

We drive value from Combustibles to fuel our investment in, and transition revenue to, New Categories.

Our Global Business

BAT is a leading consumer goods business: global, consumer-centric, multi-category, with sustainability at our core. We operate in more than 175 markets and our business is divided into four complementary regions, with a balanced presence in both emerging markets and developed markets.

By combining existing and new capabilities, we are radically redefining our organisation. We are creating new products, backed by science, that provide adult smokers with less risky alternatives to smoking*†.

Today, our portfolio includes a range of New Categories, including vapour, tobacco heating and modern oral products. By driving value from our combustibles business – and simplifying our organisation – we will accelerate this ambitious transformation.



Revenue by region

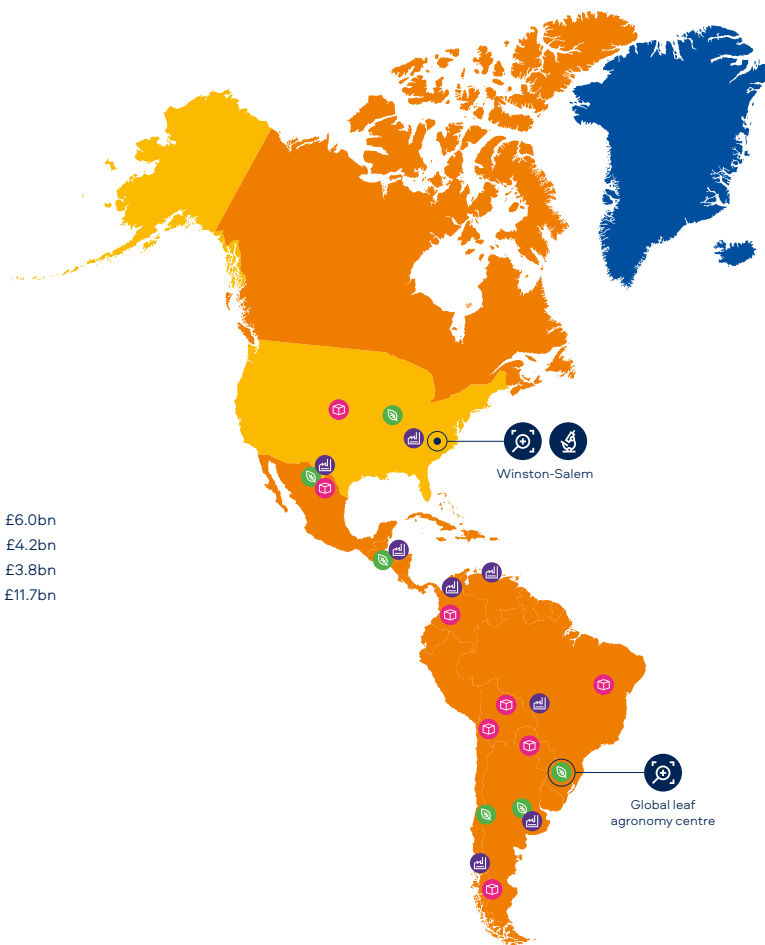


ENA	£6.0bn
APME	£4.2bn
AmSSA	£3.8bn
U.S.	£11.7bn

Our employees



	♂ Male	♀ Female
ENA	14,504	9,986
APME	6,441	2,183
AmSSA	11,223	3,398
U.S.	3,088	1,317
Total	35,256	16,794



- Locations where we have factories
- Locations where we have strategic product materials suppliers
- Locations where we source tobacco
- Research and development (R&D) and product centres
- Science

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

† Our products as sold in the U.S., including Vuse, Velo, Grizzly, Kodiak, and Camel Snus, are subject to FDA regulation and no reduced-risk claims will be made as to these products without agency clearance.

Europe and North Africa ENA Asia-Pacific and Middle East APME

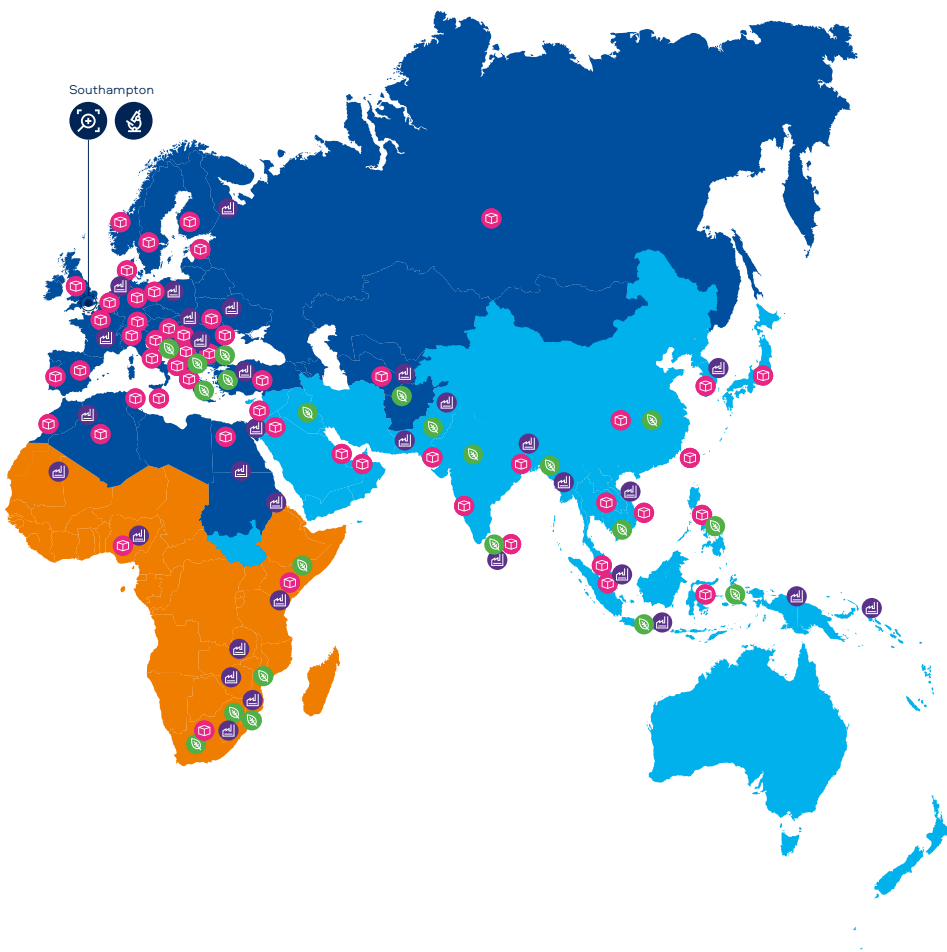
175+ markets

150mn consumers

18mn+ non-combustible product consumers

1,500+ product materials suppliers

75,000+ farmers contracted through BAT leaf operations



Map is accurate as at 31 December 2021 and is representative of general geographic regions and does not suggest that the Group operates in each country of every region.

Our manufacturing facilities

Type	U.S.	AmSSA	ENA	APME	Total
Fully integrated cigarette manufacturing	2	15	11	14	42
Green leaf threshing (GLT) tobacco processing sites	1	9	2	6	18
Site manufacturing other tobacco products, snus, modern oral and liquids		3	5		8
R&D facilities and Product Centres	1	3	2	1	7
Total	7	27	20	21	75

Strategic Management

Our Consumer-Centric Multi-Category Portfolio

BAT is a leading consumer-centric, multi-category consumer goods business dedicated to stimulating the senses of adult consumers worldwide. Our portfolio reflects our commitment to meeting the evolving and varied needs of today's adult consumer who seeks sensorial enjoyment for different moods and moments.

Strategic Portfolio

These are our key brands in both the combustible and non-combustible categories. This ensures focus and investment on the brands and categories that will underpin the Group's future performance. The strategic portfolio is:

Non-Combustibles

All brands within New Categories and the strategic traditional oral brands in moist and snus.

Combustibles

Dunhill, Kent, Lucky Strike, Pall Mall, Rothmans, Newport (U.S.), Natural American Spirit (U.S.), Camel (U.S.).

Revenue by product category



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

† Our products as sold in the U.S., including Vuse, Velo, Grizzly, Kodiak and Camel Snus, are subject to FDA regulation and no reduced-risk claims will be made as to these products without agency clearance.

Our Reduced-Risk Portfolio (Non-Combustibles)*†		Category	
New Categories	Vapour		Handheld, battery-powered devices that heat a liquid (called an e-liquid, usually containing nicotine) and creates a vapour to be inhaled.
			THPs do not burn tobacco, so no smoke (which is a key source of toxicants) is produced. Research indicates that by heating tobacco rather than burning it, THPs have the potential to be reduced-risk compared to smoking.
			This is our most recent innovation across oral products – offering consumers a satisfying experience with a range of different flavours. Two formulations are available: one containing lower levels of tobacco, and one that contains nicotine but no tobacco.
			Traditional Oral products contain tobacco, but there is no burning. There is strong epidemiological evidence, from countries such as Sweden, that switching completely to snus can reduce risk compared to smoking.
Combustibles		The Group sold 637 billion cigarette sticks and 18 billion OTP (stick equivalents) in 2021. The Group operates in over 175 markets, with 42 fully integrated cigarette manufacturing facilities in 40 markets.	

Global Drive Brands

Market Footprint



30

markets where our vapour products are currently available



25

markets where our THPs are currently available



23

markets where our modern oral products are currently available



3

markets where our traditional oral products are currently available

U.S. specific

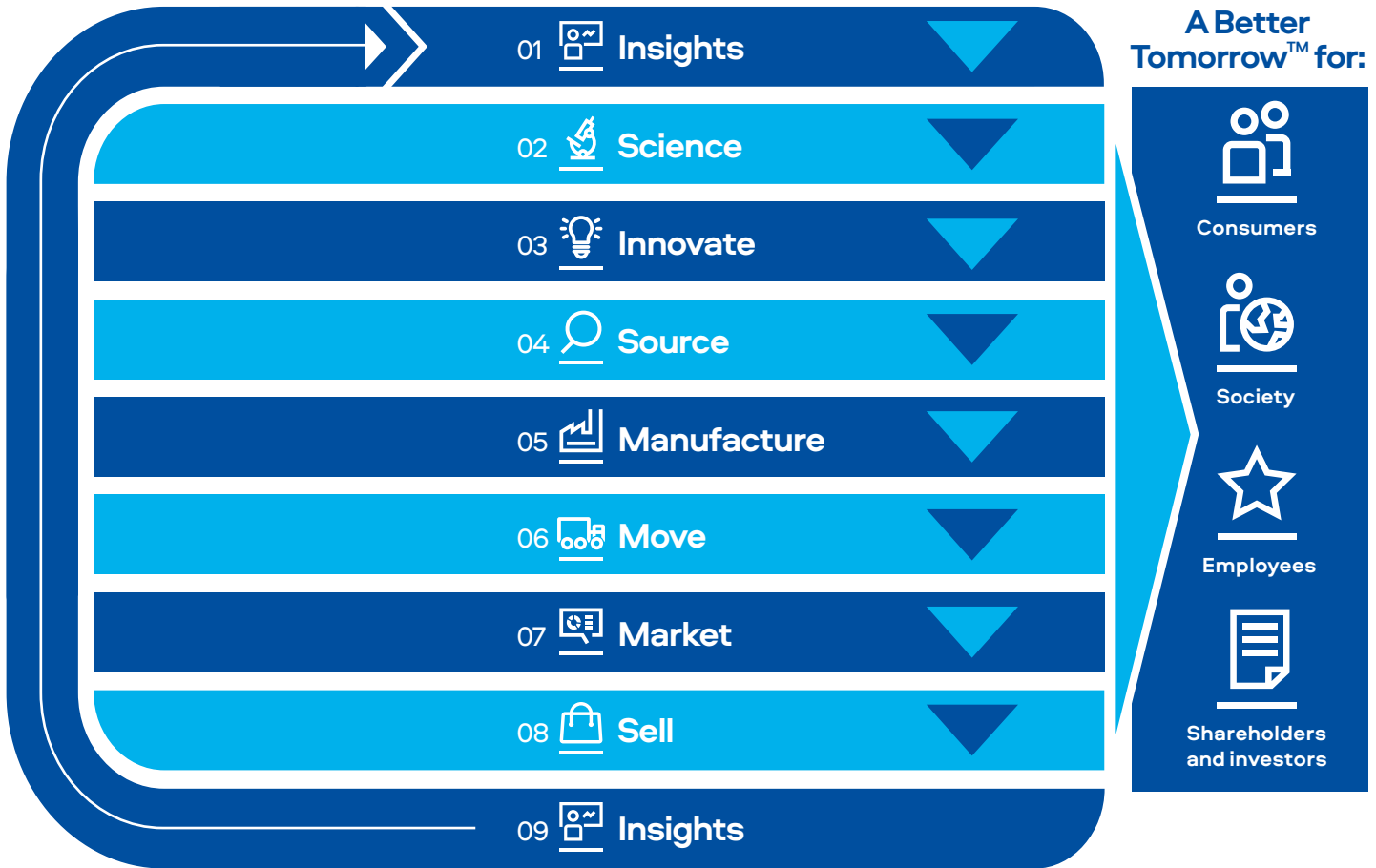


Strategic Management

Our Nine-Step Business Model

Our global business understands our diverse consumers, develops products to satisfy their preferences and ultimately distributes them across over 175 markets.

Seven key enablers support us in turning powerful insights into products that provide enjoyment to our consumers, while engagement helps our key stakeholders benefit from our sustainable growth.



SPOTLIGHT: Source

	<p>Tobacco</p> <p>Subject to the industry's Sustainable Tobacco Programme, supported by farm-level monitoring and, in selected countries, human rights impact assessments</p>	<p>Tobacco</p>	<p>58%</p> <p>BAT leaf operations, contracting 75,000+ farmers</p>	<p>Total tobacco sourced</p>	<p>42%</p> <p>third parties: sourcing from 250,000+ farmers</p>
	<p>Other materials, goods and services</p> <p>Subject to human rights risk assessments and independent audits by Intertek for those with the highest risks</p>	<p>Direct product materials</p>	<p>1,500+</p> <p>tier 1 suppliers of filters, paper, adhesives, vapour devices, e-liquids, etc.</p> <p>Strategic lower tier Batteries, packaging, etc.</p>		<p>30,000+</p> <p>suppliers of logistics, marketing, IT services, facilities management, etc.</p>



01 and 09
Insights

Seeing Over the Horizon

As one of the most long-standing and established consumer goods businesses in the world, we have a unique view of the consumer across our product categories, which is increasingly driven by powerful data and analytics. These insights ensure that the development and responsible marketing of our products is fit to satisfy consumer needs.

Driven by our unique and data-driven consumer insight platform (PRISM), we focus on product categories and consumer segments across our global business that have the best potential for long-term sustainable growth.

Link to risks

Tobacco, New Categories and other regulation interrupts growth strategy
Inability to develop, commercialise and deliver the New Categories strategy



02
Science

Accelerating Tobacco Harm Reduction

World-class science is needed to substantiate the quality, safety and reduced-risk potential of our New Category products. This is crucial for building consumer trust and encouraging adult smokers to completely switch to less risky alternatives[†].

We have an extensive scientific research programme in a broad spectrum of scientific fields, including molecular biology, toxicology and chemistry. We are transparent about our science and publish details of our research programmes on our dedicated website, www.bat-science.com, and the results of our studies in peer-reviewed journals.

Link to risks

Inability to develop, commercialise and deliver the New Categories strategy



03
Innovate

Staying Ahead of the Curve

As consumer preferences and technology rapidly evolve, we rely on our growing global network of digital hubs, innovation hubs, world-class R&D laboratories, external partnerships and our corporate venturing initiative, Btomorrow Ventures, to stay ahead of the curve.

Driving sustainable growth is at the core of our innovation. We make significant investments in research and development to deliver innovations that satisfy or anticipate consumer preferences and generate growth for the business.

Led by our strength in developing consumer insights, each innovation helps us on our journey to build A Better Tomorrow™ by reducing the health impact of our business.

Link to risks

Inability to develop, commercialise and deliver the New Categories strategy



04
Source

Sourcing Materials Responsibly

The majority of our tobacco is sourced by our own BAT leaf operations through direct contracts with over 75,000 farmers. The remainder is from third-party suppliers that, in turn, contract with an estimated 264,000 farmers. The vast majority of tobacco farms in our supply chain are smallholder family farms.

Beyond tobacco, we source product materials like paper and filters for cigarettes and, for our New Category products, we have a growing supply chain in consumer electronics and e-liquids. We also have a vast number of suppliers of indirect goods and services that are not related to our products, such as for IT services and facilities management.

Link to risks

Geopolitical tensions
Injury, illness or death in the workplace
Solvency and liquidity



05
Manufacture

Utilising our Global Manufacturing Footprint

We manufacture high-quality products in facilities all over the world. We also ensure that these products and the tobacco leaf we purchase are in the right place at the right time.

Our New Category products are manufactured in a mix of our own and third-party factories. We work to ensure that our costs are globally competitive and that we use our resources as effectively as possible.

Link to risks

Injury, illness or death in the workplace
Disputed taxes, interest and penalties
Foreign exchange rate exposures
Geopolitical tensions
Solvency and liquidity



06
Move

Moving our Products Seamlessly Everywhere

By applying modern technologies, including AI and machine learning, we ensure our products are where they are needed when they are needed.

Our products are sold around the world and we distribute them effectively and efficiently using a variety of distribution models suited to local circumstances and conditions. These distribution models include retailers, supplied through our direct distribution capability or exclusive distributors, and our Direct-to-Consumer business – which has been accelerated through the deployment of owned e-commerce sites.

Link to risks

Tobacco, New Categories and other regulation interrupts growth strategy
Inability to develop, commercialise and deliver the New Categories strategy
Litigation
Foreign exchange rate exposures
Significant increases or structural changes in tobacco, nicotine and New Categories related taxes



07
Market

Marketing our Products Responsibly

Tobacco and nicotine products should be marketed responsibly to adult-only consumers and not designed to appeal to youth.

Through a globally responsible approach to marketing, we help to raise standards and prevent underage access, while growing our market share and encouraging adult consumers to choose our products over our competitors.

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

Link to risks

Tobacco, New Categories and other regulation interrupts growth strategy
Inability to develop, commercialise and deliver the New Categories strategy
Litigation
Foreign exchange rate exposures



08
Sell

Offering Consumer Choice

We have a powerful brand portfolio that we are proud of. Our global brands are well positioned, with leading-edge insights, science and innovation behind our product pipeline.

We offer adult consumers a range of products, including combustible products, vapour, modern oral and THPs, in markets around the world. Our range of high-quality products covers all segments, from value-for-money to premium.

Link to risks

Competition from illicit trade
Significant increases or structural changes in tobacco, nicotine and New Categories related taxes
Foreign exchange rate exposures
Geopolitical tensions
Disputed taxes, interest and penalties

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

† Our products as sold in the U.S., including Vuse, Velo, Grizzly, Kodiak and Camel Snus, are subject to FDA regulation and no reduced-risk claims will be made as to these products without agency clearance.

Strategic Management

Our Business Model Continued

A Better Tomorrow™ for:

 Read more about these Stakeholders



Consumers

Our consumers are at the core of everything we do and our success is underpinned by addressing their preferences, offering them a choice of enjoyable, innovative and less risky products[†].

Measured by

- 25 countries where tobacco heating products are available
- 30 countries where vapour products are available
- 23 countries where modern oral products are available



Suppliers

Across the BAT Group, we work with thousands of different suppliers worldwide. Our suppliers are valued business partners and we believe, by working together, we can raise standards, drive sustainable practices, create shared value and build A Better Tomorrow™ for all.



Customers

Our customers include retailers, distributors and wholesalers who are essential for driving growth and embedding responsible marketing practices.



Our People

We employ 52,000+ people worldwide. Attracting and retaining an increasingly diverse workforce and providing a welcoming, inclusive working environment are key drivers in BAT's transformation journey to build A Better Tomorrow™.

Our focus is on providing a dynamic, inspiring and purposeful place to work.

Measured by

- accredited as Global Top Employer by the Top Employers Institute
- 79% Engagement Index score in our Your Voice employee survey
- 0.20 Lost Workday Case Incident Rate (LWCIR) vs 0.22 in 2020
- proportion of women in management roles grew to 39%



Society

The greatest contribution we can make to society is by reducing the health impact of our business. We will do this by encouraging those smokers who would otherwise continue to smoke to switch completely to scientifically-substantiated, reduced-risk alternatives[†]. Achieving this sustainably, working to reduce our impact on the environment, is central to delivering A Better Tomorrow™.

Measured by

- 18.3m consumers of non-combustible products
- 75% of plastic packaging that is reusable, recyclable or compostable
- 42.7% reduction in Scope 1 & 2 emissions from our 2017 baseline



Shareholders & Investors

We are committed to delivering sustainable and superior returns to our shareholders and investors.

It is essential that we maintain the support of our shareholders and investors to enable access to capital. This allows us to implement our strategy and achieve our business objectives.

Measured by

- 3-5% revenue growth over the medium term;
- high-single digit adjusted EPS growth at constant rates of exchange, over the medium term;
- 65% dividend payout ratio; and
- deleveraging the balance sheet to within our 2-3x adjusted net debt/adjusted EBITDA range.

Strategic Management

Short-Term Deliverables to Fuel A Better Tomorrow™

Our purpose is to build A Better Tomorrow™ by reducing the health impact of our business through offering a greater choice of enjoyable and less risky products*† for our consumers. To accelerate this, we must become a stronger, simpler and faster organisation, which will be achieved through the delivery of three short-term priorities.



Simplify the Business



Ensure a Step Change in New Categories Performance



Drive Value From Combustibles



Our ongoing simplification programme, Project Quantum, is expected to realise £1.5 billion of savings through simplification and efficiencies by 2022.

Through Quantum we have fundamentally re-evaluated how we are organised and have reduced management layers to eliminate duplication and entrenched accountability.

We continue to create new capabilities and release valuable funds for further investment in our growth ambition, ensuring the Group is stronger, faster and more agile.

We are steadfast in realising operational efficiencies, supply chain productivity and a focus on excellence in our route-to-market.

Over the years, consumer moments that used to be satisfied by cigarettes have been replaced by other products.

With our unique cross-category consumer understanding, we are clear there is a huge opportunity to recapture these moments with a broader portfolio of products that are less risky than combustible products.*†

We are clear that any portfolio expansion will leverage our strengths. We will maximise and seek to constantly improve our delivery platforms in vapour, THP and modern oral, thereby reducing the health impact and making a positive environmental contribution.

We aim to increase our consumers of non-combustible products from 11 million (2019) to 50 million by 2030, driving revenue from New Categories to at least £5 billion by 2025.

We are building new capabilities around the world focused on science, innovation, and digital information. Consumer preferences and technology are evolving rapidly, and we are staying ahead of the curve with our digital hubs, the creation of innovation super centres, and further development of our world-class R&D laboratories. We are also leveraging the expertise of our external partners, and are looking forward to exciting results from our venturing initiative.

Our ambition is to increasingly transition our revenues from cigarettes to New Categories over time.

In order to fund the development of our New Categories, we will continue to focus on generating value from our Combustibles business, driving sustainable increases in revenue, with volume share and value share growth.

Our performance is a direct function of the strength of our brand portfolio. We will continue to develop and invest in our brands for equity and future value by offering winning brand and product propositions, enabled by purposeful innovation.

Revenue Growth Management is a critical enabler to unlock future value, and our resource allocation is focused and prioritised to deliver better results with fewer initiatives.

We will further consolidate our portfolio of strategic brands and deliver efficiencies through a much leaner portfolio, with far fewer stock-keeping units designed to a margin.

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

† Our products as sold in the U.S., including Vuse, Velo, Grizzly, Kodiak, and Camel Snus, are subject to FDA regulation and no reduced-risk claims will be made as to these products without agency clearance.

Strategic Management

Simplifying the Business and Accelerating the Enterprise of the Future

BAT is moving towards the Enterprise of the Future – a global, consumer-centric, multi-category company, with sustainability at its core. We are redefining ourselves, not by the products we sell, but the consumer needs that we meet.

We are creating brands with purpose, and are reshaping our product portfolio, building a multi-category portfolio of non-combustible products backed by science, and expanding “beyond nicotine”. We are driven by digital transformation, technology and innovation, and by our people, living our ethos.

Quest is accelerating our transformation towards the Enterprise of the Future: it is delivering the capabilities required to build our multi-category platform business, enhance our future sustainability and deliver our digital transformation. It is underpinned by five accelerators.



Five ‘Accelerators’ to enable the Enterprise of the Future...

Deliver Quantum

Quantum is generating the resources to be reinvested in our New Categories by optimising our organisational design; leveraging our shared services; embedding productivity discipline; and delivering Revenue Growth Management (RGM) and Marketing Spend Effectiveness (MSE) initiatives.

Unleash Innovation

Unleash Innovation is delivering a step change in critical capabilities, enabling BAT to further build and successfully execute consumer focused and remarkable innovation. Utilising Quantum productivity savings, we are fuelling an ambitious portfolio transformation towards a multi-category product company.

Empowered Organisation

Developing our people, teams and culture is at the heart of Quest. The Empowered Organisation programme is building an engaged, agile and high-performing organisation with capabilities to deliver our Enterprise of the Future.

Shaping Sustainability

Shaping Sustainability is accelerating our corporate journey towards a sustainable enterprise, fulfilling our A Better Tomorrow™ purpose. Developing world-class science to support our new portfolio and embedding industry leading ESG ambitions is at the heart of this programme.

Technology & Digital

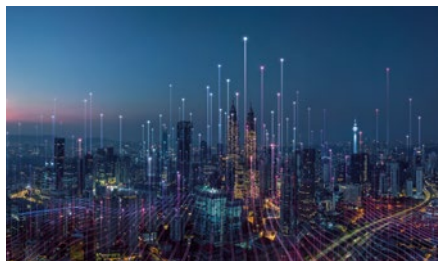
Technology & Digital underpins all Quest initiatives to accelerate our transformation towards a top quartile, digitally-enabled consumer packaged goods (CPG) business. Our digital transformation is focusing on digital marketing; agile organisation; value from data & analytics and intelligent automation at scale.

We Are Well On-track with our Journey Across all Accelerators

Quantum productivity savings target has increased from £1 billion to £1.5 billion in 2021

Quantum is continuing to simplify the organisation and generate funds to fuel growth in New Categories. In 2021, our new organisational design was announced and implemented, focused on simpler ways of working in our UK Headquarters. Our DBS Hubs are transforming to drive efficiencies in existing capabilities and build additional capabilities at the same time. We have reviewed and streamlined our End Markets' Operating Model, simplifying and optimising our business footprint. Our previous productivity target of £1 billion gross savings over three years (2020-2022) could therefore be increased to £1.5 billion. Additionally, we continue to deploy our Revenue Growth Management and Marketing Spend Effectiveness tools, which have delivered £100m+ value creation in the U.S. and other key markets in relation to pricing, assortment, promotions and trade investment.

Unleash Innovation is transforming our capabilities to win as a multi-category business



As we evolve the range of consumer needs we serve, we are transforming capabilities in R&D and across the value chain to ensure BAT is positioned to make a step change in innovation. This transformation takes a multifaceted approach from sharpening the insights and foresights approach that drives our technology and product investments; how we are actively managing the innovation portfolio; how we partner externally; and also how we execute with excellence across our innovation pipeline.

We have achieved many milestones, including the initiation of our New Categories R&D Transformation, the launch of our "Innovation Hub" in Trieste, Italy, with further hubs planned, hosting a manufacturing site for our New Category products, a digital boutique, innovation lab and centre of excellence for digital transformation and marketing. Additionally, our venture organisation Btomorrow Ventures is leading investments in creative and innovative companies aligned with our vision for A Better Tomorrow™.

Empowered Organisation is strengthening our talent pool

In 2021, the Empowered Organisation Programme launched a new Employee Brand Proposition which is fully aligned with our A Better Tomorrow™ strategy along with a modern best-in-class career website.

Our focus on developing our people led to continuous investment in learning & development. This resulted in a global portfolio of 57 programmes all delivered 100% virtually, while providing online learning tools to all managers and global graduates enabling anytime anywhere access to learning and development support from both internal and external experts. We have also implemented a transformational leadership assessment across all management helping our people to develop qualities required that are bigger, broader, more complex and challenging. We have recruited more than 1,300 new people in 2021 to further accelerate our transformation.

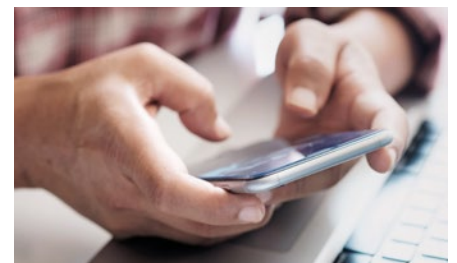
Our dedicated focus on Diversity & Inclusion also led to an industry-first National Equality Standard (NES) and Global Equality Standard (GES) certification. This is a reflection of our focus on our D&I strategy and of our inclusive culture and practices.

Shaping Sustainability continues to put sustainability front and centre of everything we do

In 2021, Vuse became the first global carbon neutral vape brand*, demonstrating our commitment to carbon neutrality and to reducing our impact on the environment. Vuse Solo became the first vaping product to receive marketing granted orders from the U.S. Food and Drug Administration (FDA), which confirms that the marketing of Vuse Solo products is appropriate for the protection of the public health and is evidence of our robust, world-class science.

We are building awareness and confidence in the science that underpins our New Category products, engaging with external stakeholders (including regulators) to ensure these new products can help build A Better Tomorrow™. In 2021, we also accelerated our targets, including to have 100% of operations sites be zero waste to landfill by 2025; and to be net zero across our value chain by 2050. We are proud that our ESG efforts continue to be recognised externally.

Technology & Digital is creating new channels to connect with our consumers and enabling the simplification of our organisation



Through digital marketing initiatives, our e-commerce footprint is developing quickly, with consumer subscription programmes growing in priority New Category markets, enabling us to provide a more personalised experience for our consumers. End-to-end simplification through automation has improved our data analytics capabilities, our enterprise agility and efficiency, and our ability to respond faster to an ever-changing environment. We continue to digitally transform manufacturing in order to reduce waste, lessen energy usage, limit stoppages to production and save personnel time. Our ongoing ranking in the Gartner Supply Chain Top 25 demonstrates how the digital transformation and increased automation of our supply chain is having a positive impact.

£1.5bn

Quantum productivity savings target (2020-2022), up from £1bn

100m+

value creation in the U.S. and other key markets in areas related to pricing, assortment, promotions and trade investment.

* As verified by Vertis based on product Life Cycle Assessment data provided by an independent third party, taking into account the Group's purchase of carbon credits through reforestation projects.

Strategic Management

ESG Front and Centre

Our Sustainability Agenda is integral to our Group strategy and purpose to build A Better Tomorrow™. It reflects our commitment to reducing the health impact of our business as our principal focus area. This is underpinned by excellence across environmental, social and governance (ESG) priorities.

Our strategic approach is driven by extensive stakeholder insights. Each year, we commission an independent assessment to identify our most material ESG topics.

Through this robust process, we engage with a wide range of stakeholders to understand what matters most to them, complemented with ongoing risk monitoring, research and benchmarking.

This ensures we keep pace with emerging topics and stakeholder expectations.

Outlined below are the priority areas that form the core of our Sustainability Agenda. These are backed by clear and measurable goals and targets for each area, as detailed in our **ESG Roadmap** on the next page.



Details of how we identify our focus areas can be found in the Materiality section of our 2021 ESG Report at www.bat.com/esgreport.

All energy and emissions data in the table on page 23 are calculated in accordance with the Greenhouse Gas (GHG) Protocol Corporate Standard. For further details of our energy and emissions methodologies, please see www.bat.com/reporting

1. UK-based activities include 2,276 tonnes of Scope 1 CO₂e emissions (2020: 2,200) and 173 tonnes of our Scope 2 CO₂e emissions (2020: 398). See pages 52-53 and 61 of the 2021 Annual Report and Accounts and Form 20-F for details of the principal measures taken for the purposes of increasing energy efficiency across the Group.
2. Due to the complexity of consolidating and verifying Scope 3 data in accordance with the GHG Protocol, we report one year behind. As such, 2021 Scope 3 data will be reported in the 2022 Report.
3. Energy consumption from activities for which the Company is responsible (in million kWh): 2021: 1,508, 2020: 1,572, 2019: 1,820. Of the total figure reported for the Group for 2021, 10 million kWh is from the UK-based activities (2020: 10 million kWh). Energy consumption resulting from the purchase of electricity by the Company for its own use (in million kWh): 2021: 972, 2020: 996, 2019: 1,054. Of the total figure reported for the Group for 2021, 16 million kWh is from the UK-based activities (2020: 17 million kWh).

Our Sustainability Agenda

H

Reducing the **HEALTH** impact of our business

Consumer choice

World-class science

Standards & regulation

E

Excellence in **ENVIRONMENTAL** management

Climate change

Waste

Water

Biodiversity & afforestation

S

Delivering a positive **SOCIAL** impact

Farmer livelihoods

Human rights

Health & safety

People & culture

G

Robust corporate **GOVERNANCE**

Business ethics

Responsible marketing

Regulation & policy engagement

Creating shared value for

Consumers

Society

Employees

Shareholders

Our ESG Roadmap

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

Find our full set of goals, targets, metrics, data scope and definitions in our 2021 ESG Report at www.bat.com/ESGreport.

Topic	Goals and targets	Metrics	Progress tracking			Status	
			2021	2020	2019		
H Harm reduction	£5 bn by 2025 in New Categories revenues	New Category revenues (£bn)	2.1	1.4	1.3	●	
	50m by 2030 consumers of our non-combustible products	No. of consumers	18.3	13.5	10.5	●	
E Climate change	Net Zero achieve carbon neutral operations (Scope 1 and 2 CO ₂ e emissions) by 2030 and net zero emissions across our value chain by 2050	Scope 1 CO ₂ e emissions (thousand tonnes) ¹	325	342	396	●	
		Scope 2 CO ₂ e (market-based) emissions (thousand tonnes) ¹	170	199	386	●	
		Total Scope 1 & 2 CO ₂ e emissions (thousand tonnes) ¹	495	541	782	●	
		Scope 1 and scope 2 CO ₂ e emissions intensity ratio (tonnes per £m revenue) ¹	19.3	20	30.4	●	
		Scope 3 CO ₂ e emissions (thousand tonnes) including biogenic emissions and biogenic removals ¹²	N/A	5,587	6,781	●	
	30% by 2025 of total energy from renewable sources	Total direct energy use (GWh) ³	2,480	2,568	2,874	●	
		Renewable energy as a % of total direct energy use	28.6	26.8	10.8	●	
		% of electricity sourced for operations sites that is renewable	64.4	61.1	10.7	●	
	Waste	100% by 2025 of operations sites to achieve zero waste to landfill	Waste sent to landfill (thousand tonnes)	11.93	12.73	13.95	●
			% of operations sites reporting zero waste to landfill	35	27	N/A	●
Water	-35% by 2025 of total amount of water withdrawn (vs 2017 baseline)	Total water withdrawn (mn cubic metres m ³)	3.76	4.03	4.51	●	
Biodiversity & afforestation	Net Zero Deforestation by 2025 aiming for net zero deforestation of managed forests in our supply chain and net positive impact on forests in our tobacco supply chain	% of sources of wood used by our contracted farmers for curing fuels that are from sustainable sources	99.9	99.7	99.6	●	
		% paper and pulp volumes that is certified as sustainably sourced [†]	89	N/A	N/A	●	
S Farmer livelihoods	Livelihoods committed to enabling prosperous livelihoods for all farmers in our tobacco supply chain	% of tobacco farmers reported to grow other crops for food or as additional sources of income	95.6	93.4	92	●	
	Human rights	Zero by 2025 aiming for zero child labour in our tobacco supply chain by 2025	% of farms with incidents of child labour identified	0.7**	0.50	0.57	■
			Number of work-related accidents (including assaults) resulting in injury, causing absence of one shift or more*	95	114	186	●
				Lost workday case incident rate*	0.20	0.22	0.27
	Health & safety	Zero aiming for zero accidents Group-wide each year	Number of serious injuries and fatalities to employees and contractors	31	39	38	●
45% by 2025 increase the proportion of women in management roles to 45%			% of female representation in management roles	39	38	37	●
People & culture							
G Business ethics	100% aiming for full adherence to our Standards of Business Conduct (SoBC)	Number of established SoBC breaches	99	116	130	●	
		Responsible marketing	100% aiming for full adherence to our Youth Access Prevention (YAP) Guidelines	% of markets aligned to the YAP Guidelines***, where our products are sold	100	100	100

† Due to the complexity of consolidating and verifying Scope 3 data from our suppliers and other third-party sources, we report figures one year behind our other metrics.

‡ New metric/target in 2021.

* In 2021, we changed the reporting period for our health and safety data to cover December to November period each year (previously January to December). This is to align with our environmental reporting and to enable more time for the consolidation and verification of our data for reporting. To enable year-on-year comparison, we have re-stated our 2020 data to align with this new reporting period: Number of work-related accidents: 114 (was 131) and Lost Workday Case Incident Rate: 0.22 (was 0.21).

** 100% of cases reported as resolved by end of the growing season.

***Waivers from YAP Guidelines are granted where there is a government ban on point-of-sale materials or YAP retailer engagement cannot be ensured due to practical or cultural limitations.

A BETTER TOMORROW™ for consumers



By responsibly offering a range of enjoyable and less risky*† choices for every mood and moment.

Value created for our consumers:

- A wide choice of superior, stimulating products for every mood and moment.
- Brands they can trust that are manufactured to high quality and safety standards.
- Alternatives to cigarettes that have reduced risks*†.
- Transparent, clear and accurate information, based on robust science, about the comparative risks.
- Responsible marketing that doesn't engage or target youth.



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

† Our products as sold in the US, including Vuse, Velo, Grizzly, Kodiak, and Camel Snus, are subject to Food and Drug Administration (FDA) regulation and no reduced-risk claims will be made as to these products without FDA clearance.

We are enabling consumer choice



Multi-category portfolio of less risky products[†] tailored to meet the evolving preferences of adult consumers

18.3 million adult consumers who have already chosen our reduced-risk[†] products

1 billion of our combustible packs with New Category product information to encourage adult smokers to switch to reduced risk[†] alternatives

150 million daily consumer interactions give us a deep understanding of our consumers and their evolving preferences

We prioritise product quality



136 peer-reviewed papers published to date on our cutting-edge research into New Category products

High product standards based on decades of product stewardship experience, that we openly share and hope will become an industry benchmark and a basis for future regulation

1000s of hours of testing undertaken before our products reach the consumer

Quality ingredients, including only pharmaceutical-grade nicotine and flavours

We market and communicate responsibly



Adult only consumers targeted for all our product marketing, enshrined in our long-standing International Marketing Principles (IMP)

100% compliance we strive for 100% compliance with our Youth Access Prevention (YAP) guidelines across all markets where our products are available

iCommit training on applying our IMP and YAP guidelines across digital channels being rolled out to all Group employees

Responsible flavour descriptors for our e-liquids that don't appeal to youth, or are associated with youth culture

We are building sustainable brands with purpose



Carbon neutral Vuse certified as the first carbon neutral global vape brand¹

75% of packaging across all our product categories is capable of being recycled

13% reduction in total weight of unnecessary single-use plastics used in our packaging (vs 2020)

100% markets where our vapour and tobacco heating products are sold with take-back schemes for consumers to return devices for responsible disposal

Recycling and anti-litter schemes for cigarette butts across 5 markets



“We are creating new products, backed by science, that provide adult smokers with less risky alternatives[†]. We are becoming a business that defines itself, not by the products it sells, but by the consumer needs that it meets.”

Kingsley Wheaton,
Chief Marketing Officer

* Based on the weight of evidence and assuming a complete switch from cigarette smoking. These products are not risk free and are addictive.
† Our products as sold in the US, including Vuse, Velo, Grizzly, Kodiak, and Camel Snus, are subject to Food and Drug Administration (FDA) regulation and no reduced-risk claims will be made as to these products without FDA clearance.

A BETTER TOMORROW™ for society



By reducing our environmental and social impacts.

Value created for society:

- **Minimising impacts on the environment**, increasing climate change resilience and protecting natural resources.
- **Supporting sustainable farmer livelihoods** for our farmers and building the resilience of rural communities.
- **Raising standards** and improving workplace conditions for people in our supply chain.
- **Implementing collaborative solutions** to complex sustainable development challenges.



We help protect the environment



Net zero

carbon neutral operations (Scope 1 and 2) by 2030 and net zero across our value chain by 2050

42.7% reduction

in our Scope 1 and 2 CO₂e emissions from our 2017 baseline

Carbon-smart farming

programme focused on reducing emissions from tobacco farming and leveraging the positive effect agriculture could have in removing carbon from the atmosphere

35% operations sites

achieving zero waste to landfill

We enhance farmer livelihoods



75,000+ farmers

contracted to BAT operations and supported by our expert field technicians helping to develop their skills, promote better yields and build their resilience

20% increase

in farmers' tobacco yields from our quality seed varieties, helping to boost their profits

96% of farmers

contracted to BAT and our strategic third-party suppliers reported to be growing other crops for food or additional sources of income

We respect human rights



2,200+ rights-holders

engaged in tobacco-growing communities in six countries via our human rights impact assessments

350,817

people engaged via human rights training delivered by our leaf operations and strategic third-party suppliers

99.9% of farmers

contracted to BAT and our strategic third-party suppliers reported to have access to at least one type of grievance mechanism

22% of suppliers

of product materials that have undergone an independent labour audit at least once in a three-year cycle

We support communities



£19.0 million

contributed to community investment programmes in 2021

380m trees

distributed via our community-based afforestation programmes in Bangladesh, Brazil, Kenya, Pakistan and Vietnam over the last 40 years

Community

Investment Framework revised in 2021 to align with the UN Sustainable Development Goals

39 projects

in 20 countries focused on women's empowerment, clean water and sanitation, healthcare and wider rural infrastructure



“By taking a long-term, collaborative approach to protecting the environment, enhancing farmer livelihoods, respecting human rights and supporting local communities, we add value to society.”

Zafar Khan,
Operations Director

A BETTER TOMORROW™ for employees



By creating a dynamic,
inspiring and purposeful
place to work.

Value created
for our employees:

- A diverse and inclusive workplace culture that treats everyone equally.
- Opportunities for a rewarding career within a major international business.
- A dynamic, inspiring and safe place to work that values employees' wellbeing and listens to their views.
- Pride in working for an organisation that takes its responsibilities seriously, with the highest standards of ethical behaviour and sustainability.



We embrace diversity



Championing inclusion

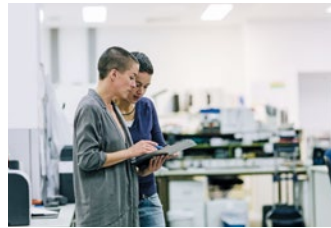
training available for all employees, completed by over 8,000 employees to date

39% women in management roles

141 nationalities across our management employees globally, Race and Ethnicity Allyship Guides for all our employees and signatories of the UK Race at Work Charter

B United global network for our LGBT+ employees and allies

We invest in talent



Be the Change

new employer brand launched in 2021 and revamped our global careers website with round-the-clock support in 14 languages

100% employees in management roles with access to our award-winning digital learning platform, The Grid, providing personalised learning anytime, anywhere

Women in leadership

training, Women in STEM programme and Global Graduate Academy all focused on developing future diverse leaders

72% of new senior management hires bringing new capabilities to drive our business transformation

We provide a safe workplace



19% reduction in total accidents across the Group vs 2020

COVID-19 secure measures across all our sites, including temperature checkpoints, testing and sanitising

Mental health support and wellbeing programmes across the Group and dedicated 'healthy minds champions' in many markets

Driver safety and security programme leading to a steady reduction in attacks, assaults and vehicle-related accidents in recent years, including a 6% reduction in these incidents in 2021 (vs 2020)

We deliver with integrity



Speak Up channels available for anyone to report concerns in confidence

Training and compliance sign-off completed on our Standards of Business Conduct (SoBC) by 100% of our Group company employees every year

SoBC app available in 14 languages with easy access to our SoBC, Supplier Code of Conduct and Speak Up channels

SoBC e-induction for 100% of new joiners in management roles

Updated SoBC and Supplier Code of Conduct in 2021 to remain at the forefront of best practice



“Our ethos at BAT sets a clear direction for us to enable a diverse and inclusive workplace culture. We want our employees to feel valued and proud to have a fulfilling career at BAT.”

Hae In Kim,
Talent, Culture and Inclusion Director

A BETTER TOMORROW™ for shareholders



By delivering sustainable and superior returns.

Value created for shareholders:

- A high-growth, consumer goods company that is global, consumer-centric, multi-category, with sustainability at our core.
- Confidence in our medium-term targets of 3–5% revenue and high single-digit adjusted earnings per share growth.
- Realising £1.5 billion in gross savings over three years (2020–2022) through simplification and efficiencies across the Group.



We have strong foundations



Founded in 1902
and first listed on the London Stock Exchange in 1912 – a constituent of the FTSE 100 since its creation in 1984

Only truly global
company in our sector with unique global marketing and distribution reach

20 years
in the Dow Jones Sustainability Indices, as well as open and transparent ESG reporting aligned to best practice frameworks

Proven record
of delivering sustainable returns and cash flow to our shareholders

We have a strategy for accelerated growth



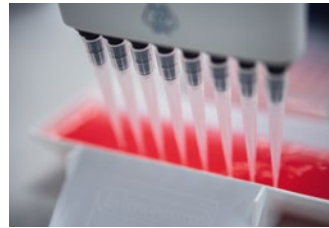
Consumer-centric
multi-category strategy focused on being a high-growth, consumer goods business

Driving value
from our combustibles business and simplifying to eliminate cost and improve returns and become a stronger, simpler, more agile organisation

Step change
in New Categories to accelerate growth supported by increased investment

Strong global brands
specifically positioned in each target consumer segment

We are transforming our business



Investing
in New Category products and expanding our portfolio 'beyond nicotine'

12.4% of Group revenues
in non-combustible, reduced-risk products*† – aiming to reach £5 billion in New Category revenues by 2025

Digital
technology and innovation are key to driving our transformation

New capabilities
combined with our existing skills and experience are helping to radically redefine our organisation

57 markets
where our New Category products are available

We are building a sustainable enterprise of the future



Brands with purpose
to satisfy the evolving preferences of adult consumers, with sustainability at their core

Leading innovation
across our portfolio and our supply chain, using data-driven insights and foresights, combined with partnerships with start-ups and disruptive entrepreneurs

Sustainability
front and centre in all that we do, focused on reducing the health impact of our business, underpinned by excellence across our ESG priorities



“We offer a unique investment case – a winning strategy and strong financial returns, while reducing the health and environmental impacts of our business.”

Tadeu Marroco,
Finance and Transformation Director

* Based on the weight of evidence and assuming a complete switch from cigarette smoking. These products are not risk free and are addictive.
† Our products as sold in the US, including Vuse, Velo, Grizzly, Kodiak, and Camel Snus, are subject to Food and Drug Administration (FDA) regulation and no reduced-risk claims will be made as to these products without FDA clearance.

Engaging with Our Stakeholders

Engaging with our Stakeholders

We work with, take into account and respond to the views and concerns of our stakeholders, adapting to emerging risks and striving to meet the expectations placed upon us as a multinational business.

Listening to our stakeholders helps us better understand their views and concerns, and enables us to respond to them appropriately. It gives us valuable inputs to, and feedback on, our strategic approach, as well as our policies, procedures and ways of working.



Consumers



Shareholders and investors



Our people

Why this stakeholder is important to us	Consumers	Shareholders and investors	Our people
Examples of how we engaged in 2021	<ul style="list-style-type: none"> - Consumer panels, focus groups and interviews - Consumer care helplines - Responsible advertising and marketing - Real-time digital platforms 	<ul style="list-style-type: none"> - Annual General Meeting - Investor relations programme and shareholder engagement on proposed new Directors' Remuneration Policy - Institutional shareholder meetings - Capital Markets Days - Investor roadshows - Results announcements - Annual Report & Form 20-F - ESG Report - Stock exchange announcements - Shareholder information on website 	<ul style="list-style-type: none"> - Director market and site visits - Virtual forums - Employee town halls - Global and regional webcasts - 'Your Voice' employee survey - Works councils and European Employee Council meetings - Graduate and management trainee events - Individual performance reviews - Speak Up channels
What matters to our stakeholders	<ul style="list-style-type: none"> - Product harm, addiction and social considerations - Product quality - Affordability and price - Ingredients/nicotine levels - Plastics/post-consumption product waste - COVID-19 impacts 	<ul style="list-style-type: none"> - Business performance - ESG Agenda - Corporate governance - Strength of Group leadership - Board succession planning 	<ul style="list-style-type: none"> - Reward - Career development - Diversity and inclusion - Corporate responsibility - Health and safety - Business ethics
How we respond	<ul style="list-style-type: none"> - Development of innovative products - Product stewardship, quality and safety standards - Clear and accurate product information - International Marketing Principles - Circular economy strategy and product sustainability initiatives 	<ul style="list-style-type: none"> - Regular dialogue and communications with shareholders and investors - Robust corporate governance - Enhanced ESG reporting - Continual improvement of our Delivery with Integrity programme - Our range of enjoyable and innovative products - Product quality and safety standards - International Marketing Principles 	<ul style="list-style-type: none"> - Extensive communications and virtual engagement with our people worldwide during the pandemic - Board review of and feedback on workforce engagement - Training and development programme - Diversity & Inclusion Strategy - Delivery with Integrity programme
Principal risk impact	<ul style="list-style-type: none"> - Inability to develop, commercialise and deliver New Categories - Significant excise increases 	<ul style="list-style-type: none"> - Solvency and liquidity - Foreign exchange rate exposures - Disputed taxes, interest and penalties - Litigation 	<ul style="list-style-type: none"> - Injury, illness or death in the work place - Geopolitical tensions



Suppliers

Effective relationships with farmers and suppliers of tobacco leaf, product materials and indirect services are essential to an efficient, productive and secure supply chain.

- Extension Services farmer support
- Ongoing dialogue and relationship management
- 'Supplier Voice' survey, events and supplier summits
- Strategic partnerships

- Productivity/quality/cost
- Sustainable agriculture
- Farmer livelihoods
- Human rights
- Health and safety
- Climate change/ environmental impacts
- COVID-19 impacts

- Supplier Code of Conduct
- Thrive sustainable agriculture and farmer livelihoods programme
- Leaf operational standards for PPE and child labour prevention
- Farmer Extension Services support and training
- COVID-19 support

- Inability to develop, commercialise and deliver New Categories
- Geopolitical tensions



Customers

Our customers include retailers, distributors and wholesalers who are essential for driving growth and embedding responsible marketing practices.

- Ongoing dialogue and account management
- 'Customer Voice' survey
- Audits/performance reviews
- Sales calls and visits by trade reps
- B2B programmes

- Route-to-market planning
- Contingency planning
- Cost, price and quality
- Stock availability
- Consumer buying behaviour
- Youth access prevention
- COVID-19 impacts

- Customer loyalty programmes and incentives
- Global Youth Access Prevention (YAP) Guidelines
- COVID-19 support

- Inability to develop, commercialise and deliver New Categories
- Geopolitical tensions
- Significant excise increases



Governments and wider society

We seek to be part of the debate that shapes the regulatory environment in which we operate, and to work collaboratively to develop joint solutions to common challenges.

- Meetings and ongoing dialogue
- Submissions to government and advisory committees
- Multi-stakeholder partnerships and working groups, such as the ECLT Foundation
- External Scientific Panel
- Peer-reviewed research
- Attending events at the COP 26 climate summit in the UK
- Community investment programmes and NGO partnerships

- Product regulation
- Tax/excise/illicit trade
- Responsible marketing
- Public health impacts
- Human rights
- Climate change/ environmental impacts
- COVID-19 impacts

- Standards of Business Conduct (SoBC)
- Delivery with Integrity programme
- Carbon neutrality target for 2030 and net zero for 2050
- Human rights and climate impact assessments
- Community investment programmes and charitable donations
- COVID-19 support

- Geopolitical tensions
- Competition from illicit trade
- Significant excise increases
- Regulation that inhibits growth

Awards and Recognition

2021 was a pivotal year for sustainability at BAT. It marks the 20th year of our inclusion in the Dow Jones Sustainability Indices, as well as the 20th anniversary of publishing our first Social Report. We are proud of how much we have achieved over the last 20 years. Today, we are building on these strong foundations to accelerate progress towards A Better Tomorrow™.

A rating and award is not a recommendation to buy, sell or hold securities. A rating and award may be subject to withdrawal or revision at any time. Each rating and award should be evaluated separately of any other rating. The methodologies of any rating or award presented here may not be the same as those of other ratings, awards or methodologies that may be used by our stakeholders, and may emphasize different aspects of ESG practices and performance, and, thus, may not be representative of our ESG performance in all respects.

Sustainability Ratings

Member of
Dow Jones Sustainability Indices
Powered by the S&P Global CSA

Dow Jones Sustainability Indices (DJSI)

We have achieved inclusion in the indices for 20 consecutive years. In 2021, we were the only company in our industry listed in the prestigious World Index, representing the world's top 10% ESG performers.¹⁵



Sustainalytics

We achieved a score of 26.8 in the most recent Sustainalytics ESG Risk Ratings. This gives investors insights into financially material ESG risks in their portfolios.¹⁷



MSCI

We achieved a 'BBB' rating in the most recent MSCI ESG Ratings. This helps investors identify and understand financially material ESG portfolio risks.¹⁶



A- scores in CDP Climate and Water assessments

In 2021, we achieved A- scores in the CDP Climate and Water assessments. We were honoured to once again be named on the CDP Supplier Engagement Leader Board in 2021. This recognises our actions to engage our suppliers to manage climate risk and reduce carbon emissions in our supply chain.



Vigeo Eiris

We scored 48% (up by 1pp from 2020) in the most recent Vigeo Eiris rating. This evaluates organisations' integration of ESG factors into their strategies, operations and management.



Best-in-class ISS Score

We achieved the highest rating for the ISS Social Disclosures QualityScore. This identifies best-in-class sustainability disclosure practices.

Awards and Recognition

Sustainability Award
Gold Class 2021

S&P Global

Gold Class Sustainability Award

We were once again awarded the highest Gold Class in the S&P Global Sustainability Yearbook 2021.



Global Top Employer

We have been recognised as a Global Top Employer for four consecutive years, acknowledging our commitment to best-in-class working environments and career opportunities.



National and Global Equality Standard

In 2021, we were the first in our industry to achieve UK National Equality Standard and Global Equality Standard accreditation. Both are rigorous benchmarks for diversity and inclusion.



Financial Times Diversity Leaders Report

We were named a Diversity Leader by the Financial Times in 2021. This recognises the top 10% of companies for achieving a diverse and inclusive workforce.



Financial Times Climate Leader

We were named as a 2021 Climate Leader by the Financial Times in an inaugural European ranking. This recognises the top 300 of more than 4,000 companies across Europe.



Sustainable Product Award for Vuse

In 2021, Vuse, our global No. 1 vaping brand, won the Sustainable Product Award in the prestigious 2021 SEAL Business Sustainability Awards. SEAL recognises innovative and impactful products that are 'purpose-built for a sustainable future'.

15. Our listing in the Dow Jones Sustainability Indices (DJSI) is based on November 2021 score in the S&P Global Corporate Sustainability Assessment.

16. An MSCI ESG Rating is designed to measure a company's resilience to long-term, industry material environmental, social and governance (ESG) risks.

17. A Sustainalytics score of zero out of 100 represents the lowest ESG risk. BAT's ESG Risk Rating places the company in the 16th percentile of the industry group which we are assessed in.

Shareholding Administration and Services

Ordinary Shareholder Enquiries

United Kingdom Registrar

Computershare Investor Services PLC
The Pavilions, Bridgwater Road, Bristol BS99 6ZZ
tel: 0800 408 0094 or +44 370 889 3159
online: www.investorcentre.co.uk/contactus

South African Registrar

Computershare Investor Services Proprietary Limited
Private Bag X9000, Saxonwold, 2132, South Africa
tel: 0861 100 634; +27 11 870 8216
email: web.queries@computershare.co.za

American Depository Shares Enquiries

All enquiries regarding ADS holder accounts and payment of dividends should be addressed to:

Citibank Shareholder Services
PO Box 43077, Providence, Rhode Island 02940-3077, USA
tel: +1 888 985 2055 (toll-free) or +1 781 575 4555
email: citibank@shareholders-online.com
website: www.citi.com/dr

Manage Your Shareholding Online

Computershare Investor Services PLC (Computershare) operates an online service, Investor Centre, for holders of shares on the Company's UK share register. Investor Centre allows shareholders to manage their shareholding online, enabling shareholders to:

- update personal details and provide address changes;
- update dividend bank mandate instructions and review dividend payment history;
- register for the Dividend Reinvestment Plan ("DRIP"); and
- register to receive Company communications electronically.

To register for Investor Centre, go to www.computershare.com/uk/investor/bri.

Shareholders with any queries regarding their holding should contact Computershare using the above contact details.

Share dealing

Computershare also offers a share dealing service to existing shareholders. For full details on how to trade British American Tobacco shares traded on the London Stock Exchange, go to www.computershare.com/dealing/uk. Please note that this service is only available in certain countries.

Dividends

Comprehensive information on dividend payments is available on pages 352 and 353 of the the 2021 Annual Report and Accounts and Form 20-F.

DRIP

We offer a DRIP to our UK shareholders. The DRIP allows eligible shareholders to use their cash dividends to acquire additional shares in the Company. The DRIP shares are purchased by Computershare through a low-cost dealing arrangement. Contact Computershare in the UK for details and exclusions of this service.

Taxation of dividends

See pages 354 and 357 of the 2021 Annual Report and Accounts and Form 20-F for details on dividend taxation.

A fact sheet detailing historical UK capital gains tax information is available at bat.com/cgt. Alternatively, contact the British American Tobacco Company Secretarial Department on +44 20 7845 1000.

Share Fraud

The practice of share fraud (also known as 'boiler room' scams) unfortunately continues with many companies' shareholders receiving unsolicited phone calls or mail from people offering to sell them what often turn out to be worthless or high risk shares in US

or UK investments, or to buy shares at an inflated price in return for an upfront payment.

If you suspect that you have been approached by fraudsters, please tell the FCA using the share fraud reporting form at www.fca.org.uk/scams, where you can find out more about investment scams. You can also call the FCA Consumer Helpline on 0800 111 6768. If you have lost money to investment fraud, you should report it to Action Fraud on 0300 123 2040 or online at www.actionfraud.police.uk.

Documents on Display and Publications

The Annual Report and Form 20-F 2021 is available online at bat.com/annualreport. Copies of current and past Annual Reports are available on request from:

British American Tobacco Publications
Unit 80, London Industrial Park, Roding Road, London E6 6LS
tel: +44 20 7511 7797 email: bat@team365.co.uk

Holders of shares held on the South Africa register can contact the Company's Representative office in South Africa using the contact details shown at the end of the Annual Report and Form 20-F 2021.

ADS holders can contact Citibank Shareholder Services in the United States using the contact details shown opposite.

Highlights from the current and past Annual Reports can be produced in alternative formats such as Braille, audio tape and large print.

Documents referred to in the Annual Report and Form 20-F 2021 do not form part of this Annual Report unless specifically incorporated by reference.

The Company is subject to the information requirements of the US Securities Exchange Act of 1934 applicable to foreign private issuers. In accordance with these requirements, the Company files its Annual Report on Form 20-F and other documents with the SEC. BAT's SEC filings are available to the public, together with the public filings of other issuers, at the SEC's website, www.sec.gov or by calling the SEC on +1 800-SEC-0330.

The Company's agent for service in the United States for the purposes of the registration statement on Form F-3 (333-232691) is Brian T. Harrison, Secretary, B.A.T Capital Corporation, C/O Corporation Service Company, 251 Little Falls Drive, Wilmington, Delaware 19808 U.S.A.

Our Website

Comprehensive information about British American Tobacco is available from our website: bat.com. Within the Investors section you will find valuation and charting tools, dividend and share price data and you can download shareholder publications and subscribe for email alert services. You can also download our Investor Relations app to access all the latest financial information on your iPad, iPhone or Android device.

Calendar 2022

	Annual General Meeting
Thur 28 April at 11:30am	Details of the venue and business to be proposed at the meeting are set out in the Notice of Annual General Meeting, which is made available to all shareholders and is published on bat.com . BAT provides for the vote on each resolution to be by poll rather than by a show of hands. This provides for greater transparency and allows the votes of all shareholders to be counted, including those cast by proxy. The voting results will be released on the same day in accordance with regulatory requirements and made available on bat.com .
Wed 27 July	Half-Year Report

Other Information

Dividends

Policy

The Group's policy is to pay dividends of 65% of long-term sustainable earnings, calculated with reference to adjusted diluted earnings per share, as defined on page 308, and reconciled from earnings per share in note 11 in the Notes on the Accounts of the 2021 Annual Report and Accounts and Form 20-F. Please see page 79 of the Annual Report and Form 20-F 2021 for further discussion on the Group's dividend.

Currencies and Exchange Rates

Details of foreign exchange rates are set out in the Financial Review section of the Strategic Report on page 83 of the Annual Report and Form 20-F 2021. There are currently no UK foreign exchange controls or restrictions on remittance of dividends on the ordinary shares other than restrictions applicable to certain countries and persons subject to UK economic sanctions.

American Depositary Shares – Dividends

The following table shows the dividends paid by British American Tobacco p.l.c. in the years ended 31 December 2019 to 31 December 2021 inclusive.

Announcement Year	Payment	Dividend Period	Dividend Per BAT Ordinary Share GBP	Dividend Per BAT ADS ADS ratio 1:1 USD ¹
2019	May	Quarterly Interim 2019	0.5075	0.6596990
	August	Quarterly Interim 2019	0.5075	0.6155970
	November	Quarterly Interim 2019	0.5075	0.6521370
	February 2020	Quarterly Interim 2019	0.5075	0.6571610
	Total		2.0300	2.5845940
2020	May	Quarterly Interim 2020	0.526	0.6424030
	August	Quarterly Interim 2020	0.526	0.6889020
	November	Quarterly Interim 2020	0.526	0.6895860
	February 2021	Quarterly Interim 2020	0.526	0.7178320
	Total		2.104	2.738723
2021	May	Quarterly Interim 2021	0.539	0.7576180
	August	Quarterly Interim 2021	0.539	0.7345300
	November	Quarterly Interim 2021	0.539	0.7217210
	February 2022	Quarterly Interim 2021	0.539	0.7298860
	Total		2.156	2.943755

Note:

1. **Holders of BAT ADSs:** dividends are receivable in US dollars based on the £ sterling/US dollar exchange rate on the applicable ADS payment date, being three business days after the payment date for the BAT ordinary shares.

Registered office

Globe House, 4 Temple Place, London WC2R 2PG
tel: +44 20 7845 1000, facsimile: +44 20 7240 0555
Incorporated in England and Wales No. 3407696

Representative Office in South Africa

Waterway House South, No 3 Dock Road, V&A Waterfront,
Cape Town 8000, South Africa
PO Box 631, Cape Town 8000, South Africa
tel: +27 21 003 6712

Secretary

Paul McCrory

Investor relations

Enquiries should be directed to Mike Nightingale, Victoria Buxton,
William Houston or John Harney
tel: +44 20 7845 1180

Press office

Enquiries should be directed to Anna Vickerstaff
tel: +44 20 7845 2888
email: press_office@bat.com

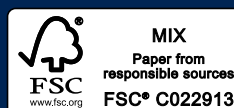
Auditors

KPMG LLP
15 Canada Square, Canary Wharf, London E14 5GL

References in this publication to 'British American Tobacco', 'BAT', 'we', 'us',
and 'our' when denoting opinion refer to British American Tobacco p.l.c.
(the Company) (No. 3407696) and when denoting tobacco business activity
refer to British American Tobacco Group operating companies, collectively
or individually as the case may be.

Design and production: Radley Yeldar www.ry.com

Printed in the UK by Pureprint Group on Revive 100% recycled papers, made
entirely from post-consumer waste and gloss cover paper from well-managed
forests and other controlled sources. All pulps used are Elemental Chlorine Free.
The manufacturing mills hold the ISO14001 and EU Ecolabel (EMAS)
certificates for environmental management.





Go online

Explore the story of our year

Featuring downloadable versions of this report, along with our sustainability summary report and other content – all accessible on desktop, tablet and mobile.

www.bat.com/reporting



www.bat.com



[@BATplc](https://twitter.com/BATplc)



youtube.com/welcometobat