

Overview

Chairman's Introduction

Accelerating A Better Tomorrow™



Welcome to our combined Annual Report and Form 20-F 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 79 and 354.

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.