

## Strategic Management

# Our Business Model

**As a global business, we strive to understand our diverse consumers, develop products to satisfy their preferences and ultimately distribute them across 170+ markets.** Taking into account feedback from stakeholders also enables us to refine our strategy, deliver sustainable value and build A Better Tomorrow™.

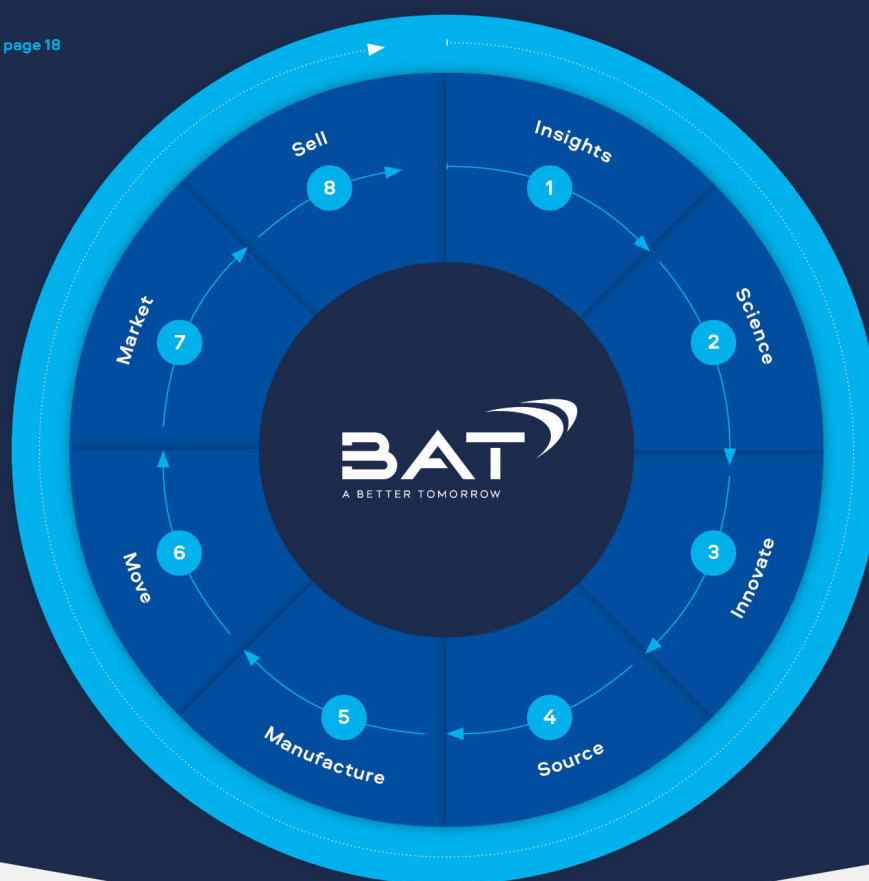
## Our eight-step business model

Our business model begins and ends with the consumer. The insights we gather from adult consumers, underpinned by robust science, unlocks value by ensuring we offer the right product choices to meet their preferences. Our product portfolio is constantly being enhanced through innovations designed to better serve adult consumers and build A Better Tomorrow™.

Following the responsible sourcing of raw materials and components, we utilise our global footprint to manufacture at speed and scale. We use our global distribution capabilities to ensure our products are where they need to be, when they are needed. Through our responsible marketing practices and powerful portfolio, we market and sell our products which, in turn, generate further insights.



Read more about our stakeholders on [page 18](#)



A Better Tomorrow™ for:



Consumers



Shareholders  
and investors



Society



Employees

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## 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 are 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*

*Climate and circularity*

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## Accelerating tobacco harm reduction

World-class science is needed to substantiate the quality, product 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<sup>†</sup>.

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](http://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*



Read more about our science on [pages 32, 34, 36 and 50](#)

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## 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*

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## Sourcing materials responsibly

The majority of our tobacco is sourced by BAT Group's vertically integrated Leaf Operations through direct contracts with c.81,000 farmers. The remainder is from third-party suppliers that, in turn, contract with an estimated 195,000 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*

*Climate and circularity*



Read more about our supply chain on [pages 43 to 93](#)

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## 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

*Geopolitical tensions Injury, illness or death in the workplace*

*Disputed taxes, interest and penalties*

*Foreign exchange rate exposures*

*Solvency and liquidity*

*Climate and circularity*

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## 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*

*Climate and circularity*

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## Marketing our products responsibly

Tobacco and nicotine products should be marketed responsibly to adults only 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 by encouraging adult consumers to choose our products over those of 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*



Read more about responsible marketing on [page 64](#)

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## Offering the 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*

*Geopolitical tensions*

*Significant increases or structural changes in tobacco, nicotine and New Categories related taxes*

*Inability to develop, commercialise and deliver the New Categories strategy*

*Foreign exchange rate exposures*

*Disputed taxes, interest and penalties*

*Climate and circularity*