

## Overview

# Chair's Introduction

## Transforming for A Better Tomorrow™

In an increasingly complex world, BAT's North Star remains its purpose – to build A Better Tomorrow™. To succeed in delivering this, we must continue to win and nurture the trust of all our stakeholders, including shareholders.

Luc Jobin  
Chair

### Dear Fellow Shareholders

2022 marks a year of great progress against the strategy at BAT, given the backdrop of an increasingly complex external environment. I am proud of the delivery of the business in 2022.

Navigating a new economic cycle, characterised by rising inflation, higher interest rates and a tight labour market, has required the business to be more adaptable than ever.

Such complexities have been exacerbated by international conflict, political instability and supply chain constraints. In response, BAT has increased its focus on driving both a step change in New Categories and value from the combustibles business.

I believe BAT's strategy gets the balance right between these two drivers of value. On top of that, pursuing greater synergies and simplification across the business has delivered further savings for re-investment.

Over the last year, the business has demonstrated the agility required to adapt to a changing external environment.

One tool at our disposal is our active capital allocation framework, introduced in 2021, which allows us the flexibility to take into account macro and fiscal developments to deliver long-term value.

### Progressing With Purpose

As a Board, our role is to work to ensure BAT continues to deliver for the consumer, investors and our wider stakeholders.

With international travel possible once again, I have been delighted to see first-hand how our A Better Tomorrow™ corporate purpose has become embedded across so many levels of the organisation.

As the business transforms, the goal of everyone across BAT is to maintain the high performance and rapid progress we have demonstrated since our A Better Tomorrow™ journey began in 2020.

With our New Category revenue and consumers of Non-Combustible products targets approaching, now is the time to keep our momentum and focus.

We must provide even more adult smokers with a portfolio of products that are a better choice than cigarettes<sup>†</sup>.

As we have said before, reducing the health impact of our business by offering consumers a greater choice of reduced risk<sup>†</sup> products is a multi-year endeavour. It is unlikely to always proceed smoothly and may involve periods of turbulence owing to factors outside of our control. However, what is clear to me is that every level of the business is committed to delivering sustainable growth.

### Driving ESG Progress

This year, we have taken the opportunity to embed sustainability reporting more extensively into our Annual Report. Ahead of forthcoming EU reporting requirements, we believe this new 'Combined Annual and ESG Report' provides a more holistic view of our business performance.

Sustainability and ESG have long been an intrinsic part of BAT's DNA. We published our first Sustainability Report in 2001. Since then, the business has been repeatedly recognised for its sustainability achievements. This year alone, we received the highest award - gold class - in the S&P Global Sustainability Yearbook 2022, and were named a Climate Leader by the Financial Times.

As part of our commitment to the UN-backed Race to Zero campaign, BAT published its Low-Carbon Transition Plan in 2022. This important document outlines the actions the business will take to reach its climate targets. This includes halving absolute emissions across its value chain by 2030, from a 2020 baseline, and to be Net Zero across its value chain by 2050 at the latest.

This is the latest milestone in BAT's journey to tackle climate change and to build A Better Tomorrow™. Crucially, targets and actions included in the Low-Carbon Transition Plan are in line with BAT's ambitious 1.5°C-aligned trajectory, approved by the Science Based Targets initiative in July 2022.

BAT is equally committed to protecting biodiversity. The COP-15 UN Biodiversity Conference took place in Canada in December 2022 and BAT joined more than 300 leading companies in signing Business for Nature's call to protect and restore biodiversity.

The need for mandatory requirements for businesses and financial institutions to disclose biodiversity impacts has never been clearer. Biodiversity and climate are inextricably linked and it is only through creating a level playing field for businesses that we hope to see meaningful progress on protecting biodiversity.

### Ethos & Culture

I would also like to reflect on how important BAT's ethos and culture is to delivering BAT's future. After all, our people are a key stakeholder group; explicitly called out when we talk about creating sustainable, multi-pronged value.

In many ways BAT has a remarkable and unique culture: truly global, immensely diverse and marked out by a blend of new talent and capabilities, alongside long-standing experience. Of course, that culture needs nurturing and cherishing.



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During uncertain times, our role is to ensure BAT continues to deliver for the consumer and our wider stakeholders.

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Each and every one of the people across BAT deserves huge credit for the achievements of 2022.

As the business transforms, the goal of everyone across BAT is to maintain the high performance and rapid progress we have demonstrated since our transformation journey began in 2020.

My Board colleagues and I have dedicated significant time this year to understanding that culture better and fostering its development with management. We are committed to making sure it develops through building on its provenance while also being contemporaneous and 'fit' for the challenges of the world today. We will continue to reflect further on that as part of the Board's programme through 2023.

**Dividends**

The Board has declared a dividend of 230.9p per ordinary share, payable in four equal instalments of 57.72p 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 page 103 of the Financial Performance Summary and page 375 in the Shareholder Information section.

**Board Changes**

I was pleased to welcome Véronique Laury to the Board in September 2022. Véronique joined as an independent Non-Executive Director and member of the Nominations and Audit Committees.

With an extensive career in consumer goods, including Kingfisher plc for over 15 years where she was Group CEO between 2014 and 2019, Véronique brings with her impressive international, strategic, transformation and digital experience.

I look forward to her contribution as we accelerate our strategy to build A Better Tomorrow™.

**Confidence in BAT's Team**

I have full confidence in the Management Board of BAT and in the leadership of Jack. I know that, as a team, they will continue to lead the accelerated transformation of BAT at pace.

Each and every one of the people across BAT deserves huge credit for the achievements of 2022. In testing circumstances, they have demonstrated resilience, dedication and an ability to adapt to change. On behalf of the Board, I offer them my thanks.

**My Thanks**

In an increasingly complex world, BAT's North Star remains its purpose – to build A Better Tomorrow™. To succeed in delivering this, we must continue to win and nurture the trust of all our stakeholders, including shareholders.

I am grateful to everyone who has shared in our transformation journey so far – equally so to those new shareholders who have joined us on the journey ahead.

Developments over the last few years have shown that it will not always be straightforward. However, with your support, I am confident that BAT will continue to transform at pace while delivering multi-stakeholder value long into the future.

**Notes:**

- \* Based on the weight of evidence and assuming a complete switch from cigarette smoking. These products are not risk free and are addictive.
- † Our Vapour product Vuse (including Alto, Solo, Ciro and Vibe), and certain products, including Velo, Grizzly, Kodiak, and Camel Snus, which are sold in the U.S., are subject to FDA regulation and no reduced-risk claims will be made as to these products without agency clearance.



Colleagues meeting at our global headquarters in London, UK