

Overview

Chair's Introduction

Transformation in Action

Our strategy and purpose were discussed extensively during 2023. The result of these discussions was the decision to provide greater clarity on what we mean by A Better Tomorrow™. It means we are committed to Building a Smokeless World.

Luc Jobin
Chair

Dear Fellow Shareholders,

During 2023, the world continued to experience a period of extensive and prolonged uncertainty.

The global economy has entered an era of upheaval, as geopolitical tensions continue to destabilise economies and societies.

Cost-of-living pressures are being compounded by inflation, and this represents a significant challenge for major economies. This has resulted in re-adjustments in work habits and in consumer behaviour.

Ambiguity and uncertainty have long occupied discussions in boardrooms, but I cannot recall a time when this was so pronounced.

As always, my colleagues around the world have responded to the operating environment with resilience and resourcefulness. I would like to thank them, on behalf of the Board, for their ongoing dedication and diligence.

Leadership for the Future

In May 2023, the Board announced a change in the leadership of BAT, with Tadeu Marroco appointed as Chief Executive.

With 30 years of experience across the entire business, Tadeu was the outstanding choice to lead BAT into the next chapter of its history.

With his track record of delivering transformation, building strong teams and ensuring financial discipline, Tadeu is well placed to build on our A Better Tomorrow™ strategy that was first articulated in 2020.

Following his appointment, in June 2023 Tadeu reshaped his Management Board to support a greater focus on improved execution and operational excellence. Having also appointed a new Chief People Officer and with a new Chief Financial Officer due to join us from 1 May 2024, the Board believes the management team at BAT is well placed to execute on the strategy of the business to deliver long-term value for stakeholders.

Refining our Strategy and Purpose

In the context of a rapidly changing world, it is important that shareholders have a holistic view of BAT and our place in it.

This is the second year that we have embedded our sustainability data into our Annual Report.

Our Combined Annual and Sustainability Report again represents the fullest depiction of BAT's business strategy and performance.

Our strategy and purpose were discussed extensively during 2023. The result of these discussions was the decision to provide greater clarity on what we mean by A Better Tomorrow™. It means we are committed to Building a Smokeless World.

This is a commitment to migrate our cigarette consumers actively, sustainably and responsibly to reduced risk[†], smokeless alternatives. In so doing, BAT will deliver for consumers, investors and society, while employees will benefit from a purpose-driven business that they can feel excited about.

Built around the three pillars of Quality Growth, Sustainable Future and Dynamic Business the Board believes this refined strategy is right for the long-term success of BAT. Tadeu discusses this in more detail on page 8 and further information on the refined strategy can be found on page 14.

The refined strategy is a natural extension of the foundations that were laid in 2020 and provides clarity on what BAT intends to focus on in the years to come.

The Board has been engaged in much discussion during the year about 'what' the business should deliver in the future. It is, of course, important for shareholders to understand 'how' we have delivered this year and how we think success should be measured against the refined strategy going forward. Our Combined Annual and Sustainability Report seeks to do that, while honing our non-financial disclosures towards the reporting requirements of the EU Corporate Sustainability Reporting Directive (CSRD).

Our Values and Culture

A strategy is little without the right culture instilled across the organisation to deliver it. A truly dynamic business is one where the people within it understand the strategic aims and the expected behaviours to achieve them.

Values are an important facet of continuing to be an exciting and winning company. It is why the Board was pleased to see a set of rearticulated values being developed in parallel with the refined strategy.

Long-Term View of the Business

Despite an increasingly turbulent external environment, the fundamentals of the tobacco and nicotine sector remain attractive, and the Board believes BAT is in a strong position to realise its potential.

The growth of adult smokers seeking smokeless alternatives is a long-term, sectoral trend. There remain more than one billion adult smokers in the world and there are many jurisdictions which, with the right regulatory approach, could see smoking rates decline faster through greater acceptance of smokeless products.

With our multi-category portfolio, BAT is well placed to capitalise on this consumer shift to smokeless products while continuing to manage the combustible cigarette business in a responsible manner.





Ambiguity and uncertainty have long occupied discussions in boardrooms, but I cannot recall a time when this was so pronounced.

As always, my colleagues around the world have responded to the operating environment with resilience and resourcefulness.

A truly dynamic business is one where the people within it understand the strategic aims and the expected behaviours to achieve them.

Despite an increasingly turbulent external environment, the fundamentals of the tobacco and nicotine sector remain attractive, and BAT is well placed to realise its potential.

The growth of adult smokers seeking smokeless alternatives is a long-term, sectoral trend.

With our geographic footprint and multi-category portfolio, BAT is well placed to capitalise on this consumer shift to smokeless products, while managing the combustible cigarette business in a responsible manner.

BAT's Board and leadership team remain focused on securing long-term, sustainable value creation, by nurturing BAT's culture, building our brands, and delivering A Better Tomorrow™.

We believe that growth within the smokeless category will be driven by sustained investment in our brands and targeted innovation to respond to evolving consumer preferences and tastes. Combined with active portfolio management, we believe that continuing to invest in our brands is fundamental to sustaining BAT's performance for the future.

Dividends

Reflecting the confidence in our business and its future prospects, the Board has declared a dividend of 235.52p per ordinary share, payable in four equal instalments of 58.88p 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 55 of the Financial Performance Summary and page 388 in the Shareholder Information section.

Board Changes

I was very pleased to welcome Murray Kessler and Serpil Timuray to our Board this year.

Both Murray and Serpil join the Board as independent Non-Executive Directors and members of the Nominations and Remuneration Committees.

Murray possesses extensive leadership experience in growing consumer product companies and managing regulated businesses.

Serpil also brings experience in growing consumer and enterprise product companies, as well as managing global strategy, marketing, innovation and digital transformation.

I am looking forward to their respective contributions as we accelerate our strategy to build A Better Tomorrow™.

Summary and Outlook

While sustained volatility and uncertainty will continue to present challenges, we believe BAT remains well-positioned and resilient.

We are diversified by category, price point and geography. Our smokeless portfolio has been designed to take advantage of sectoral shifts. Our people are highly engaged and have a track record of delivery during uncertain times.

Additionally, our continued investment in our brands and deep understanding of our consumers position us well to capture opportunities in tobacco, nicotine and beyond, markets we believe have very attractive fundamentals.

BAT's Board and leadership team remain focused on securing long-term, sustainable value creation, by nurturing BAT's culture, building our brands, and delivering A Better Tomorrow™.

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.



From left to right, Group Chair, Luc Jobin, Non-Executive Director Kandy Anand and Chief Executive, Tadeu Marroco