Other Information

Additional Disclosures

Additional Disclosures

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Information on the Group

Overview

British American Tobacco p.l.c. is the parent holding company of the Group, a leading multi-category consumer goods business that provides tobacco and nicotine products to millions of consumers around the world.

The Group, excluding the Group's associated undertakings, is organised into three regions:

- the United States of America (Reynolds American Inc.);
- Americas and Europe (AME); and
- Asia-Pacific, the Middle East and Africa (APMEA).

The Group's range of combustible products covers all segments, from value-for-money to premium, with a portfolio of international, regional and local tobacco brands to meet a broad array of adult tobacco consumer preferences wherever the Group operates.

The Group has also built a portfolio of smokeless tobacco and nicotine products – including Vapour products, Heated Products (HPs) and Modern Oral products, which are collectively termed the New Categories, as well as Traditional Oral products.

The Group manages a globally-integrated supply chain and its products are distributed to retail outlets worldwide.

History and development of BAT

The Group has had a significant global presence in the tobacco industry for over 100 years. BAT Ltd. was incorporated in 1902, when the Imperial Tobacco Company and the American Tobacco Company agreed to form a joint venture company. BAT Ltd. inherited companies and quickly expanded into major markets, including India and Ceylon, Egypt, Malaya, Northern Europe and East Africa. In 1927, BAT Ltd. expanded into the U.S. market through its acquisition of B&W.

During the 1960s, 1970s and 1980s, the Group diversified its business under the umbrella of B.A.T Industries p.l.c., with acquisitions in the paper, cosmetics, retail and financial services industries, among others. Various business reorganisations followed as the business was eventually refocused on the Group's core cigarette, cigars and tobacco products businesses with BAT becoming a separately listed entity on the LSE in 1998.

The following is a summary of the significant mergers, acquisitions and disposals undertaken since 1998:

- 1999 – global merger with Rothmans International;
- 2000 – acquisition of Imperial Tobacco Canada;
- 2003 – acquisition of Ente Tabacchi Italiani S.p.A., Italy's state-owned tobacco company, Tabacalera Nacional in Peru and Duvanska Industrija Vranje in Serbia;
- 2004 - the U.S. assets, liabilities and operations, other than certain specified assets and liabilities, of BAT's wholly-owned subsidiary, B&W, were combined with RJR Tobacco Company to form Reynolds American Inc. As a result of the B&W business combination, B&W acquired beneficial ownership of approximately 42% of the Reynolds American Inc. shares;
- 2008 – acquisition of Tekel, the Turkish state-owned tobacco company and the cigarette and snus business of Skandinavisk Tobakskompagni A/S;
- 2009 - acquisition of an effective 99% interest in Bentoel in Indonesia;
- 2011 – acquisition of Protabaco in Colombia;
- 2012 – acquisition of CN Creative Limited in the UK;
- 2013 – entered into joint operations in China;
- 2015 – acquisition of the shares not already owned by the Group in Souza Cruz in Brazil, the acquisition of the CHIC Group in Poland, the acquisition of TDR d.o.o., a cigarette manufacturer in Central Europe. Also in 2015, the Group increased its investment in Reynolds American Inc. by US$4.7 billion to maintain the Group's approximate 42% equity position following Reynolds American Inc.'s purchase of Lorillard Inc.;
- 2016 – acquisition of Ten Motives in the UK;
- 2017 – acquisition of the remaining 57.8% of Reynolds American Inc. the Group did not already own. Following completion of the acquisition, Reynolds American Inc. became an indirect, wholly-owned subsidiary of BAT and is no longer a publicly-held corporation. In 2017, the Group also acquired certain tobacco assets from Bulgartabac Holding AD in Bulgaria and Fabrika Duhana Sarajevo (FDS) in Bosnia, acquired Winnington Holdings AB in Sweden and acquired certain assets from Must Have Limited in the UK, including the electronic cigarette brand ViP;
- 2018 – acquisition of Quantus Beteiligungs-und Beratungsgesellschaft mbH in Germany;
- 2019 – acquisition of Twisp Proprietary Limited in South Africa and 60% of VapeWild Holdings LLC in the U.S.;
- 2020 – acquisition of the nicotine pouch product assets of Dryft Sciences, LLC (Dryft) in the U.S. and the acquisition of Eastern Tobacco Company for Trading in Saudi Arabia;
- 2021 – entry into a strategic research and product development collaboration agreement with Organigram Inc., a licensed producer of cannabis and cannabis-derived products in Canada and a wholly-owned subsidiary of publicly-traded Organigram Holdings Inc. and acquisition of a 19.9% equity stake in Organigram Holdings Inc.. Also in 2021, the Group disposed of its Iranian subsidiary, BAT Pars Company PJSC;
- 2022 – acquisition of a 16% equity stake in Sanity Group GmbH, a German cannabis company. In 2022, the Group also made an investment, via a convertible debenture in the amount of c.£48 million, into Charlotte's Web Holdings, Inc., a U.S.-based hemp extract wellness products business; and
- 2023 - disposal of the Group's businesses in Russia and Belarus.

British American Tobacco p.l.c. was incorporated in July 1997 under the laws of England and Wales as a public limited company and is domiciled in the United Kingdom.

Seasonality

The Group's business segments are not significantly affected by seasonality although in certain markets cigarette consumption trends rise during summer months due to longer daylight time and tourism.

Patents and trademarks

Our trademarks, which include the brand names under which our products are sold, are key assets which we consider, in the aggregate, to be important to the business as a whole. As well as protecting our brand names by way of trademark registration, we also protect our innovations by means of patents and designs in key global jurisdictions.

Board oversight of M&A transactions

The Company's Board has strategic oversight of significant M&A transactions (determined by value or strategic nature of transaction), which are referred to it for noting under the Group Statement of Delegated Authorities (SoDA).

Other M&A transactions are referred for strategic oversight to the Management Board or other applicable senior forum or persons, under the Group SoDA. Those referral requirements under the Group SoDA apply alongside any requirement for corporate approval of M&A transactions by or within a Group company.

Other Information

Selected Financial Information

This information set out below has been derived from, in part, the audited consolidated financial statements of the Group commencing on page 208. This selected financial information should be read in conjunction with the consolidated financial statements and the Strategic Report.

All items shown in £m except per share information	2023	2022	2021	2020	2019
	As of and for the Year Ended 31 December				
Income statement data					
Revenue[2]	**27,283**	27,655	25,684	25,776	25,877
Raw materials and consumables used	**(4,545)**	(4,781)	(4,542)	(4,583)	(4,599)
Changes in inventories of finished goods and work in progress	**(96)**	227	160	445	162
Employee benefit costs	**(2,664)**	(2,972)	(2,717)	(2,744)	(3,221)
Depreciation, amortisation and impairment costs	**(28,614)**	(1,305)	(1,076)	(1,450)	(1,512)
Other operating income	**432**	722	196	188	163
Loss on reclassification from amortised cost to fair value	**(9)**	(5)	(3)	(3)	(3)
Other operating expenses	**(7,538)**	(9,018)	(7,468)	(7,667)	(7,851)
(Loss)profit from operations	**(15,751)**	10,523	10,234	9,962	9,016
Net finance costs	**(1,895)**	(1,641)	(1,486)	(1,745)	(1,602)
Share of post-tax results of associates and joint ventures	**585**	442	415	455	498
(Loss)/profit before taxation	**(17,061)**	9,324	9,163	8,672	7,912
Taxation on ordinary activities	**2,872**	(2,478)	(2,189)	(2,108)	(2,063)
(Loss)/profit for the year	**(14,189)**	6,846	6,974	6,564	5,849
Per share data					
Basic weighted average number of ordinary shares, in millions	**2,229**	2,256	2,287	2,286	2,284
Diluted weighted average number of ordinary shares, in millions[3]	**2,237**	2,267	2,297	2,295	2,291
(Loss)/earnings per share-basic (pence)	**(646.6)p**	293.3p	296.9p	280.0p	249.7p
(Loss)/earnings per share-diluted (pence)[3]	**(646.6)p**	291.9p	295.6p	278.9p	249.0p
Dividends per share (pence)[4]	**235.5p**	230.9p	217.8p	215.6p	210.4p
Balance sheet data					
Assets					
Non-current assets	**104,530**	138,137	124,558	124,078	127,731
Current assets	**14,186**	15,409	12,807	13,612	13,274
Total assets	**118,716**	153,546	137,365	137,690	141,005
Liabilities					
Non-current liabilities	**50,109**	59,983	54,820	59,257	58,022
Current liabilities	**15,673**	17,853	15,144	15,478	18,823
Total borrowings	**39,730**	43,139	39,658	43,968	45,366
Equity					
Share capital	**614**	614	614	614	614
Total equity	**52,934**	75,710	67,401	62,955	64,160
Cash flow data					
Net cash generated from operating activities	**10,714**	10,394	9,717	9,786	8,996
Net cash used in investing activities	**(296)**	(705)	(1,140)	(783)	(639)
Net cash used in financing activities	**(9,314)**	(8,878)	(8,749)	(7,897)	(8,593)

Notes:

1. All of the information above is in respect of continuing operations, revised for the fully retrospective adoption of IFRS 15.
2. Revenue is net of duty, excise and other taxes of £36,917 million, £38,527 million, £38,595 million, £39,172 million and £39,826 million for the years ended 31 December 2023, 2022, 2021, 2020, and 2019, respectively.
3. In 2023, the Group reported a loss for the year. Following the requirements of IAS 33, the impact of share options would be antidilutive and are therefore excluded, for 2023, from the calculation of diluted earnings per share, calculated in accordance with IFRS, for that year. However, for consistency across periods, the presentation of the diluted weighted number of ordinary shares above includes those that are potentially dilutive. The diluted number of shares, less those that are deemed to be anti-dilutive under IAS33, used in the calculation of diluted earnings per share in compliance with IFRS was 2,229 million.
4. In February 2024, the BAT Directors declared an interim dividend of 235.5 pence per share for the year ended 31 December 2023, payable in four equal instalments of 58.88 pence per ordinary share. The interim dividend will be paid to BAT shareholders in May 2024, August 2024, November 2024 and February 2025. The equivalent quarterly dividends receivable by holders of ADSs in US dollars will be calculated based on the exchange rate on the applicable payment date.

Volume

Volume is defined as the number of units sold. Units may vary between categories. This can be summarised for the principal metrics as follows:

- Factory-made cigarettes (FMC) – sticks, regardless of weight or dimensions;
- Roll-Your-Own/Make-Your-Own – kilos, converted to a stick equivalent based upon 0.8 grams (per stick equivalent) for Roll-Your-Own and between 0.5 and 0.7 grams (per stick equivalent) for Make-Your-Own;
- Traditional Oral – pouches (being 1:1 conversion to stick equivalent) and kilos, converted to a stick equivalent based upon 2.8 grams (per stick equivalent) for Moist Snuff, 2.0 grams (per stick equivalent) for Dry Snuff and 7.1 grams (per stick equivalent) for other oral;
- Modern Oral – pouches, being 1:1 conversion to stick equivalent;
- Heat/Heated sticks – sticks, being 1:1 conversion to stick equivalent; and
- Vapour – pods and 10 millilitre bottles. There is no conversion to a stick equivalent.

Volume is recognised in line with IFRS 15 Revenue from Contracts with Customers, based upon transfer of control. It is assumed that there is no material difference, in line with the Group's recognition of revenue, between the transfer of control and shipment date.

Volume is used by management and investors to assess the relative performance of the Group and its brands within categories, given volume is a principal determinant of revenue.

Volume Share

Volume share is the number of units bought by consumers of a specific brand or combination of brands, as a proportion of the total units bought by consumers in the industry, category or other sub-categorisation. Sub-categories include, but are not limited to, the HP category, Modern Oral, Vapour, Traditional Oral, Total Oral or Cigarette. Except when referencing particular markets, volume share is based on our key markets (representing around 60% of the Group's cigarette and HP volume).

Where possible, the Group utilises data provided by third-party organisations, including NielsenIQ, based upon retail audit of sales to consumers. In certain markets, where such data is not available, other measures are employed which assess volume share based upon other movements within the supply chain, such as sales to retailers. This may depend on the provision of data to the industry by the customers including distributors/wholesalers.

Volume share is used by management to assess the relative performance to the Group and its brands against the performance of its competitors in the categories and geographies in which the Group operates. This measure is also useful to understand the Group's performance when seeking to grow scale within a market or category from which future financial returns can be realised. The Group's management believes that this measure is useful to investors to understand the relative performance of the Group and its brands against the performance of its competitors in the categories and geographies in which the Group operates.

Volume share in each year compares the average volume share in the year with the average volume share in the prior year. This is a more robust measure of performance, removing short-term volatility that may arise at a point in time.

However, in certain circumstances, in order to illustrate the latest performance, data may be provided as at the end of the period rather than the average in that period. In these instances, the Group indicates that these are at a specific date (for instance, December 2023).

Value Share

Value share is the retail value of units bought by consumers of a particular brand or combination of brands, as a proportion of the total retail value of units bought by consumers in the industry, category or other sub-categorisation in discussion. Except when referencing particular markets, value share is based on our key markets (representing around 85% of the Group's cigarette and HP value).

Where possible, the Group utilises data provided by third-party organisations, including NielsenIQ, based upon retail audit of sales to consumers. In certain markets, where such data is not available, other measures are employed which assess value share based upon other movements within the supply chain, such as sales to retailers. This may depend on the provision of data to the industry by the customers (including distributors and wholesalers).

Value share is used by management to assess the relative performance of the Group and its brands against the performance of its competitors in the categories and geographies in which the Group operates, specifically indicating the Group's ability to realise value relative to the market. The Group's management believes that this measure is useful to investors to apprehend the relative performance of the Group and its brands against the performance of its competitors in the categories and geographies in which the Group operates, specifically indicating the Group's ability to realise value relative to the market.

Value share in each year compares the average value share in the year with the average value share in the prior period. This is a more robust measure of performance, removing short-term volatility that may arise at a point of time.

However, in certain circumstances, in order to illustrate the latest performance, data may be provided that is as at the end of the period rather than the average in that period. In these instances the Group indicates that these are at a specific date (for instance, December 2023).

Other Information

Non-Financial Measures

Price Mix

Price mix is a term used by management and investors to explain the movement in revenue between periods. Revenue is affected by the volume (how many units are sold) and the value (how much is each unit sold for). Price mix is used to explain the value component of the sales as the Group sells each unit for a value (price) but may also achieve a movement in revenue due to the relative proportions of higher value volume sold compared to lower value volume sold (mix).

This term is used to explain the Group's relative performance between periods only. It is calculated as the difference between the movement in revenue (between periods) and volume (between periods). For instance, the decline in combustibles revenue (excluding translational foreign exchange movements) of 0.8% in 2023, with a decline in combustibles volume of 8.3% in 2023, leads to a price mix of 7.5% in 2023. No assumptions underlie this metric as it utilises the Group's own data.

Consumers of Non-Combustible Products

The number of consumers of Non-Combustible products is defined as the estimated number of Legal Age (minimum 18 years) consumers of the Group's Non-Combustible products. In markets where regular consumer tracking is in place, this estimate is obtained from adult consumer tracking studies conducted by third parties (including Kantar). In markets where regular consumer tracking is not in place, the number of consumers of Non-Combustible products is derived from volume sales of consumables and devices in such markets, using consumption patterns obtained from other similar markets with consumer tracking (utilising studies conducted by third parties, including Kantar).

The number of Non-Combustible products consumers is used by management to assess the number of consumers regularly using the Group's New Categories products as the increase in Non-Combustible products is a key pillar of the Group's sustainability ambition and is integral to the sustainability of our business.

The Group's management believes that this measure is useful to investors given the Group's sustainability ambition and alignment to the sustainability of the business with respect to the Non-Combustibles portfolio.

% of farms monitored for child labour; % of farms with incidents of child labour identified; Number of child labour incidents identified; % reported as resolved by end of the growing season

Our definition of child labour is aligned to how International Labour Organization (ILO) defines the term, namely that the work that deprives children of their childhood, their potential and their dignity, and that is harmful to their physical and mental development (https://www.ilo.org/ipec/facts/lang--en/index.htm).

Reported via our Thrive annual reports covering all BAT-contracted farmers and farmers supplying our third-party suppliers, representing more than 94% of total tobacco grown or purchased by BAT in 2023. As tobacco-growing seasons vary around the world, data is based on the most recent crop cycle at the time of reporting, instead of the crop grown in the calendar year.

Data in relation to our contracted farmers is collected by BAT field technicians (FTs) who visit our contracted farmers approximately once a month during the growing season. Details of each visit are recorded in our Farmer Sustainability Management (FSM) digital app by the FT and are formally acknowledged by the farmer. If any child labour case is identified, it is reported in the system and treated as a critical prompt action. For the case to be resolved, this is followed by an unannounced visit shortly after to observe whether this is repeated and a remediation plan agreed with the farmer. The remediation plan varies from case to case, considering the individual circumstances.

Our third-party suppliers collect data for Thrive via their own FTs, in their own farm monitoring systems.

Once the data is collected in the field, the country team analyse the data and approve it or reopen the questions for discussion with the farmers. After that, the data is reported in Thrive and made available to the Global Leaf ESG team. The data is also reviewed by an independent third party.

Ethnically Diverse Group

For the purposes of D&I Reporting, the following definitions are used. Ethnically diverse groups includes global ethnic groups Hispanic/Latin American, Black, Asian, Indigenous, Mixed, Other (Arabs/Middle Eastern and Turkish). In 2022, we expanded the scope of our confidential voluntary ethnicity identity collection and reporting beyond the UK to six additional markets (Australia, Brazil, Canada, Malaysia, South Africa and the U.S.).

Senior Leadership Teams

Members of senior leadership teams are defined as any employee who is either a direct report of a Management Board member or a direct report of a Management Board's direct report.

Some MB-1 and MB-2 employees are double-counted in this calculation to account for those who feature on one or more senior leadership teams, given their dual accountability.

% Women in Management Roles

The number of female management-grade employees, as a percentage of the total number of management-grade employees. Management-grade employees include all global graduates and all employees at job grade 34 to grade 41, being the highest grade immediately prior to the Management Board. The gender of each employee is typically recorded at the point of hire.

% of Key Leadership teams with at least a 50% spread of distinct nationalities: The number of Management Board members that have at least a 50% spread of nationalities within their Key Leadership teams (MB-1 members only), as a percentage of the total number of Management Board members. A Key Leadership team is categorised as the group of direct reports that report into a Management Board member.

The 50% spread of distinct nationalities is satisfied if at least half of a given MB's Key Leadership team members are of distinct nationalities. The nationality of each employee is typically recorded at the point of hire. U.S. employees hired by Reynolds prior to its merger with BAT did not disclose nationality at point of hire and therefore these employees are excluded from the calculation.

Some MB-1 Key Leadership team members are double-counted in this calculation to account for those who feature on one or more MB leadership teams, given their dual accountability.

Non-GAAP Measures

To supplement the presentation of the Group's results of operations and financial condition in accordance with IFRS, we also present several non-GAAP measures used by management to monitor the Group's performance. The Group's management regularly reviews the measures used to assess and present the financial performance of the Group and, as relevant, its geographic segments.

Changes to Non-GAAP measures in 2023

In 2023, the Group finalised the sale of its Russian and Belarusian businesses. The 2023 STI targets were set excluding the Russian and Belarusian businesses (organic basis), and the results were assessed on the same basis. The following measures used by Management within the Group's STI, as reported within the Remuneration report beginning on page 170, were measured on an organic basis in 2023: New Categories revenue growth, change in New Categories contribution and adjusted profit from operations - with all the aforementioned measures continuing to be presented at constant rates of exchange. The adjusted cash generated from operations performance have also been measured on an organic basis at constant rates of exchange.

For the 2021 LTI with the performance period ending in 2023, performance measures and targets have remained unchanged during the three-year performance period. In assessing performance results for the 2021 LTIP award against the targets set at the start of the performance period, performance has been assessed excluding the Russian and Belarusian businesses from the 2023 results. For the purpose of LTI performance, 2021 and 2022 will remain as previously reported. The following LTI performance measures were measured on an organic basis in 2023: revenue growth (at constant rates of exchange), adjusted diluted EPS (at constant rates of exchange), adjusted diluted EPS (at current rates of exchange), operating cash flow conversion ratio.

The following tables include, where relevant, reconciliations to the relevant measures referred to above, from the most comparable IFRS equivalent.

Revenue at Constant Rates of Exchange and Organic Revenue at Current and Constant Rates of Exchange

Definition – revenue before the impact of foreign exchange and also presented excluding the inorganic performance of certain businesses bought or sold in the period.

To supplement BAT's revenue presented in accordance with IFRS, the Group's Management Board, as the chief operating decision-maker, reviews revenue at constant rates of exchange to evaluate the underlying business performance of the Group and its geographic segments. The Group's Management Board defines this measure as revenue retranslated at the prior periods rate of exchange.

The Group's Management Board believes that revenue at constant rates of exchange provides information that enables investors to compare the Group's business performance across periods without the impacts of translational foreign exchange. This measure has limitations as an analytical tool. The most directly comparable IFRS measure to revenue at constant rates of exchange is revenue. Revenue at constant rates of exchange is not a presentation made in accordance with IFRS, and is not a measure of financial condition or liquidity and should not be considered as an alternative to revenue as determined in accordance with IFRS. Revenue at constant rates of exchange is not necessarily comparable to similarly titled measures used by other companies. As a result, you should not consider this performance measure in isolation from, or as a substitute analysis for, BAT's results as determined in accordance with IFRS.

As Management assesses revenue at constant rates also on an organic basis within the Group's incentive schemes, as reported within the Remuneration Report beginning in page 170, these measures are also presented excluding the inorganic performance of certain businesses bought or sold in the period.

Refer to note 2 in the Notes on the Accounts for further discussion of the segmental results and for the reconciliation of revenue at current and constant rates of exchange to segmental revenue and to Group revenue for the years ended 31 December 2023, 2022 and 2021.

	For the year ended 31 December (£m)		
	2023	2022	2021
Revenue	**27,283**	27,655	25,684
Impact of translational foreign exchange	**813**	(1,382)	1,877
2023 revenue re-translated at 2022 exchange rates	**28,096**		
2022 revenue re-translated at 2021 exchange rates		26,273	
2021 revenue re-translated at 2020 exchange rates			27,561
Change in revenue at prior year's exchange rates (constant rates)	**1.6%**	2.3%	6.9%
Inorganic adjustments re-translated at prior year's exchange rates (constant rates)	**(550)**	(813)	
Organic revenue re-translated at prior year's exchange rates (constant rates)	**27,546**	25,460	

	For the year ended 31 December (£m)	
	2023	2022
Revenue	**27,283**	27,655
Inorganic adjustments	**(479)**	(935)
Organic revenue	**26,804**	26,720

Organic revenue in 2022, translated at 2022 rates was £26,720 million. Organic revenue in 2023, translated at the prior year's exchange rate was £27,546 million. Accordingly, the movement in organic revenue, at constant rates of exchange in 2023 was an increase of 3.1%.

Other Information

Non-GAAP Measures
Continued

Revenue by Product Category or Geographic Segment – Including Revenue from New Categories, at Constant Rates of Exchange and on an Organic Basis

Definition – revenue by product category, and at the prior year's prevailing exchange rate and also presented excluding the inorganic performance of certain businesses bought or sold in the period, derived from the principal product categories of Combustibles, New Categories (being comprised of revenue from Vapour, HP and Modern Oral), and Traditional Oral, including by the geographic segments of the United States, Americas and Europe, and Asia-Pacific, Middle East and Africa.

To supplement BAT's revenue presented in accordance with IFRS, the Group's Management Board, as the chief operating decision-maker, reviews revenue growth from the principal product categories of combustibles, New Categories and Traditional Oral, including from the geographic segments of the United States, Americas and Europe, and Asia-Pacific, Middle East and Africa, to evaluate the underlying business performance of the Group reflecting the focus of the Group's investment activity. The Group's Management Board assesses revenue by product category, including by geographic segment, at constant rates of exchange, translated to the Group's reporting currency at the prior period's prevailing exchange rate, derived from the Group's combustible portfolio (including but not limited to Kent, Dunhill, Lucky Strike, Pall Mall, Rothmans, Camel (U.S.), Newport (U.S.), Natural American Spirit (U.S.)), the Group's New Category portfolio (being Vapour, HP and Modern Oral) and the Group's Traditional Oral portfolio and the Group's operations in the United States, Americas and Europe, and Asia-Pacific, Middle East and Africa.

The Group's Management Board also believes that the revenue performance by product category, including by geographic segment, provides information that enables investors to compare the Group's business performance across periods and by reference to the Group's investment activity. Revenue by product category, including by geographic segment, have limitations as analytical tools. The most directly comparable IFRS measure to revenue by product category, including by geographic segment, is revenue. Revenue by product category, including by geographic segment, are not presentations made in accordance with IFRS, are not measures of financial condition or liquidity and should not be considered as alternatives to revenue as determined in accordance with IFRS. Revenue by product category, including by geographic segment, are not necessarily comparable to similarly titled measures used by other companies. As a result, you should not consider these performance measures in isolation from, or as a substitute analysis for, BAT's results as determined in accordance with IFRS.

As Management assesses New Categories revenue growth on an organic basis within the Group's incentive schemes, as reported within the Remuneration Report beginning in page 170, this measure is also presented excluding the inorganic performance of certain businesses bought or sold in the period. The organic figures shown for the relevant product categories are provided to show the build-up towards revenue from New Categories and what Management is working towards.

Reconciliation of revenue by product category to revenue by product category at constant rates of exchange and on an organic basis (2023 - 2022)

								2023
	Reported £m	vs 2022 %	Impact of exchange £m	Reported at cc £m	Reported at cc vs 2022 %	Inorganic adjustments £m	Organic at cc £m	Organic at cc vs 2022 %
New Categories:								
Vapour	**1,812**	**+26.2%**	**11**	**1,823**	**+26.9%**	**(2)**	**1,821**	**+26.8%**
HP	**996**	**-6.0%**	**37**	**1,033**	**-2.5%**	**(89)**	**944**	**+4.1%**
Modern Oral	**539**	**+35.3%**	**15**	**554**	**+39.0%**	**(7)**	**547**	**+38.9%**
Total New Categories	**3,347**	**+15.6%**	**63**	**3,410**	**+17.8%**	**(98)**	**3,312**	**+21.0%**
Traditional Oral	**1,163**	**-3.8%**	**9**	**1,172**	**-3.1%**	**—**	**1,172**	**-3.1%**
Combustibles	**22,108**	**-4.0%**	**738**	**22,846**	**-0.8%**	**(450)**	**22,396**	**+0.6%**
Other	**665**	**+27.6%**	**3**	**668**	**+28.4%**	**(2)**	**666**	**+29.6%**
Revenue	**27,283**	**-1.3%**	**813**	**28,096**	**+1.6%**	**(550)**	**27,546**	**+3.1%**
Inorganic adjustments	**(479)**			**(550)**				
Organic revenue	**26,804**	**+0.3%**		**27,546**	**+3.1%**			

Reconciliation of revenue by product category to revenue by product category at constant rates of exchange (2022 - 2021) and on an organic basis – 2022

							2022	2021
	Reported £m	vs 2021 %	Impact of exchange £m	Reported at cc £m	Reported at cc vs 2021 %	Inorganic adjustments at cc £m	Organic at cc £m	Reported £m
New Categories:								
Vapour	1,436	+54.9%	(103)	1,333	+43.8%	—	1,333	927
HP	1,060	+24.3%	21	1,081	+26.7%	(133)	948	853
Modern Oral	398	+45.3%	1	399	+45.6%	(5)	394	274
Total New Categories	2,894	+40.9%	(81)	2,813	+37.0%	(138)	2,675	2,054
Traditional Oral	1,209	+8.2%	(117)	1,092	-2.3%	—	1,092	1,118
Combustibles	23,030	+4.5%	(1,142)	21,888	-0.6%	(669)	21,219	22,029
Other	522	+7.6%	(42)	480	-0.8%	(6)	474	483
Revenue	27,655	+7.7%	(1,382)	26,273	+2.3%	(813)	25,460	25,684
Inorganic adjustments	(935)			(813)				
Organic revenue	26,720	+6.8%		25,460				

Reconciliation of revenue by product category to revenue by product category at constant rates of exchange

U.S.	2023 Reported £m	2023 vs 2022 %	2023 Impact of exchange £m	2023 Reported at cc £m	2023 Reported at cc vs 2022 %	2022 Reported £m
New Categories:						
Vapour	**1,033**	**+13.1%**	**6**	**1,039**	**+13.8%**	913
HP	**—**	**—**	**—**	**—**	**—**	—
Modern Oral	**25**	**-32.2%**	**—**	**25**	**-31.8%**	36
Total New Categories	**1,058**	**+11.3%**	**6**	**1,064**	**+12.0%**	949
Traditional Oral	**1,127**	**-4.0%**	**7**	**1,134**	**-3.4%**	1,174
Combustibles	**9,744**	**-6.9%**	**58**	**9,802**	**-6.4%**	10,470
Other	**65**	**+44.1%**	**—**	**65**	**+45.2%**	46
Revenue	**11,994**	**-5.1%**	**71**	**12,065**	**-4.5%**	12,639

U.S.	2022 Reported £m	2022 vs 2021 %	2022 Impact of exchange £m	2022 Reported at cc £m	2022 Reported at cc vs 2021 %	2021 Reported £m
New Categories:						
Vapour	913	+62.9%	(92)	821	+46.4%	561
HP	—	-69.1%	—	—	-72.3%	1
Modern Oral	36	n/m	(3)	33	n/m	2
Total New Categories	949	+68.7%	(95)	854	+51.6%	564
Traditional Oral	1,174	+8.9%	(119)	1,055	-2.1%	1,077
Combustibles	10,470	+4.5%	(1,061)	9,409	-6.1%	10,015
Other	46	+27.9%	(6)	40	+14.9%	35
Revenue	12,639	+8.1%	(1,281)	11,358	-2.8%	11,691

Note:
cc: constant currency – measures are calculated based on a re-translation of the current year's results of the Group at the prior year's exchange rates and, where applicable, its geographical segments or product categories.

Reconciliation of revenue by product category to revenue by product category at constant rates of exchange

AME	2023 Reported £m	2023 vs 2022 %	2023 Impact of exchange £m	2023 Reported at cc £m	2023 Reported at cc vs 2022 %	2022 Reported £m
New Categories:						
Vapour	**686**	**+47.6%**	**(4)**	**682**	**+46.9%**	465
HP	**505**	**+2.3%**	**3**	**508**	**+3.0%**	494
Modern Oral	**482**	**+41.5%**	**11**	**493**	**+44.6%**	341
Total New Categories	**1,673**	**+28.8%**	**10**	**1,683**	**+29.6%**	1,300
Traditional Oral	**36**	**+1.7%**	**2**	**38**	**+7.9%**	35
Combustibles	**7,614**	**+0.3%**	**196**	**7,810**	**+2.9%**	7,588
Other	**468**	**+28.2%**	**(10)**	**458**	**+25.2%**	364
Revenue	**9,791**	**+5.4%**	**198**	**9,989**	**+7.6%**	9,287

AME	2022 Reported £m	2022 vs 2021 %	2022 Impact of exchange £m	2022 Reported at cc £m	2022 Reported at cc vs 2021 %	2021 Reported £m
New Categories:						
Vapour	465	+41.4%	(10)	455	+38.4%	328
HP	494	+68.8%	(12)	482	+65%	292
Modern Oral	341	+29.9%	4	345	+31.6%	262
Total New Categories	1,300	+47.0%	(18)	1,282	+45.1%	882
Traditional Oral	35	-12.3%	2	37	-7.7%	41
Combustibles	7,588	+5.7%	(125)	7,463	+4.0%	7,179
Other	364	+7.0%	(27)	337	-1.3%	342
Revenue	9,287	+10.0%	(168)	9,119	+8.0%	8,444

Other Information

Non-GAAP Measures
Continued

	2023					2022
APMEA	**Reported £m**	**vs 2022 %**	**Impact of exchange £m**	**Reported at cc £m**	**Reported at cc vs 2022 %**	Reported £m
New Categories:						
Vapour	**93**	**+60.5%**	**9**	**102**	**+74.6%**	58
HP	**491**	**-13.2%**	**34**	**525**	**-7.3%**	566
Modern Oral	**32**	**+50.3%**	**4**	**36**	**+70.8%**	21
Total New Categories	**616**	**-4.5%**	**47**	**663**	**+2.6%**	645
Traditional Oral	**—**	**—%**	**—**	**—**	**—%**	—
Combustibles	**4,750**	**-4.5%**	**484**	**5,234**	**+5.2%**	4,972
Other	**132**	**+18.9%**	**13**	**145**	**+32.0%**	112
Revenue	**5,498**	**-4.0%**	**544**	**6,042**	**+5.5%**	5,729

	2022					2021
APMEA	Reported £m	vs 2021 %	Impact of exchange £m	Reported at cc £m	Reported at cc vs 2021 %	Reported £m
New Categories:						
Vapour	58	+55.1%	(1)	57	+53.0%	38
HP	566	+1.1%	33	599	+7.0%	560
Modern Oral	21	+114%	—	21	+112%	10
Total New Categories	645	+6.3%	32	677	+11.5%	608
Traditional Oral	—	—	—	—	—	—
Combustibles	4,972	+2.8%	44	5,016	+3.8%	4,835
Other	112	+2.8%	(9)	103	-4.3%	106
Revenue	5,729	+3.2%	67	5,796	+4.4%	5,549

Note:
cc: constant currency – measures are calculated based on a re-translation of the current year's results of the Group at the prior year's exchange rates and, where applicable, its geographical segments or product categories.

Adjusted Profit From Operations, Adjusted Operating Margin and Adjusted Organic Profit From Operations

Definition – profit from operations before the impact of adjusting items and adjusted profit from operations as a percentage of revenue, and also presented excluding the inorganic performance of certain businesses bought or sold in the period.

To supplement BAT's results from operations presented in accordance with IFRS, the Group's Management Board, as the chief operating decision-maker, reviews adjusted profit from operations to evaluate the underlying business performance of the Group and its geographic segments, to allocate resources to the overall business and to communicate financial performance to investors. The Group also presents adjusted operating margin, which is defined as adjusted profit from operations as a percentage of revenue. Adjusted profit from operations and adjusted operating margin are not measures defined by IFRS. The most directly comparable IFRS measure to adjusted profit from operations is profit from operations.

Adjusting items, as identified in accordance with the Group's accounting policies, represent certain items of income and expense which the Group considers distinctive based on their size, nature or incidence. In identifying and quantifying adjusting items, the Group consistently applies a policy that defines criteria that are required to be met for an item to be classified as adjusting and provides details of items that are specifically excluded from being classified as adjusting items. Adjusting items in profit from operations include restructuring and integration costs, amortisation of trademarks and similar intangibles, impairment of goodwill and charges in respect of certain litigation. The definition of adjusting items is explained in note 1 in the Notes on the Accounts.

The Group's Management Board believes that these additional measures are useful to investors and are used by the Group's Management Board as described above, because they exclude the impact of adjusting items which have less bearing on the routine ongoing operating activities of the Group, thereby enhancing users' understanding of underlying business performance. The Group's Management Board also believes that adjusted profit from operations provides information that enables investors to compare the Group's business performance across periods. Additionally, the Group's Management Board believes that similar measures are frequently used by securities analysts, investors and other interested parties in their evaluation of companies comparable to the Group, many of which present an adjusted operating profit-related performance measure when reporting their results. Adjusted profit from operations and adjusted operating margin have limitations as analytical tools. They are not presentations made in accordance with IFRS, are not measures of financial condition or liquidity and should not be considered as alternatives to profit for the year, profit from operations or operating margin as determined in accordance with IFRS. Adjusted profit from operations and adjusted operating margin are not necessarily comparable to similarly titled measures used by other companies. As a result, you should not consider these performance measures in isolation from, or as a substitute analysis for, BAT's results of operations as determined in accordance with IFRS.

As Management assesses adjusted profit from operations at constant rates also on an organic basis within the Group's incentive schemes, as reported within the Remuneration Report beginning in page 170, this measure is also presented excluding the inorganic performance of certain businesses bought or sold in the period.

The table below reconciles the Group's profit from operations to adjusted profit from operations, and to adjusted profit from operations at constant rates based on a re-translation of adjusted profit from operations for each year, at the previous year's exchange rates, and provides adjusted operating margin for the periods presented. Refer to note 2 in the Notes on the Accounts for further discussion of the segmental results and for the reconciliation of adjusted profit from operations at current and constant rates of exchange to segmental profit from operations and to Group profit for the years ended 31 December 2023, 2022 and 2021.

	For the year ended 31 December (£m)		
	2023	2022	2021
(Loss)/profit from operations	**(15,751)**	10,523	10,234
Add:			
Restructuring and integration costs	**(2)**	771	150
Amortisation and impairment of trademarks and similar intangibles	**23,202**	285	306
Impairment of Goodwill	**4,614**	—	57
Credit in respect of calculation of excise on social contributions in Brazil	**(148)**	—	—
Credit in respect of partial buy-out of the pension fund in the U.S.	**—**	(16)	(35)
Charges in connection with planned disposal of subsidiaries	**—**	612	—
Charges/(credit) in connection with disposal of subsidiaries	**351**	(6)	358
Charges in respect of contributions on investment grants in Brazil	**47**	—	—
Credit in respect of recovery of VAT on social contributions in Brazil	**(19)**	(460)	—
Charges in respect of DOJ and OFAC investigation	**75**	450	—
Charges in respect of Nigeria Federal Competition and Consumer Protection Commission (FCCPC) case	**—**	79	—
Other adjusting items (including Engle)	**96**	170	80
Adjusted profit from operations	**12,465**	12,408	11,150
Operating margin	**-57.7%**	38.1%	39.8%
Adjusted operating margin	**45.7%**	44.9%	43.4%
Impact of translational foreign exchange	**324**	(782)	802
Adjusted profit from operations re-translated at constant rates	**12,789**	11,626	11,952
Change in adjusted profit from operations re-translated at constant rates	**+3.1%**	+4.3%	+5.2%
Inorganic adjustments retranslated at constant rates	**(223)**	(276)	
Adjusted organic profit from operations re-translated at constant rates	**12,566**	11,350	

Adjusted organic measures above are re-translated at constant rates. Adjusted organic profit from operations in 2022, translated at 2022 rates was £12,089 million. Accordingly, the movement in adjusted organic profit from operations, at constant rates of exchange in 2023 was up 3.9%.

Other Information

Non-GAAP Measures
Continued

Category Contribution at Constant Rates of Exchange and Organic Category Contribution at Constant Rates of Exchange

Definition – Profit from operations before the impact of adjusting items and translational foreign exchange, having allocated costs that are directly attributable to New Categories, and also presented excluding the inorganic performance of certain businesses bought or sold in the period.

@To supplement BAT's performance presented in accordance with IFRS, the Group's Management Board, as the chief operating decision-maker, reviews the contribution to Group profit from operations (before the impact of adjusting items and translational foreign exchange) of the principal product categories of New Categories (in aggregate) and the rest of the Group, reflecting the focus of the Group's investment activity.@ Category contribution is assessed by management within the Group's incentive schemes, as reported within the Remuneration Report beginning on page 170.

@The Group's Management Board believes that this additional measure provides information that enables investors to compare the Group's business performance across periods and by reference to the Group's investment activity.@ Category contribution by products as a measure of Group performance has limitations as an analytical tool. They are not presentations made in accordance with IFRS, are not measures of financial condition or liquidity and should not be considered as alternatives to profit from operations as determined in accordance with IFRS. Category contribution is not necessarily comparable to similarly titled measures used by other companies. @As a result, you should not consider such performance measures in isolation from, or as a substitute analysis for, BAT's results of operations as determined in accordance with IFRS.@

The table below reflects the marginal contribution of the New Categories products to the Group's financial performance. This measure includes all directly attributable revenue and costs. This measure is provided in aggregate as certain costs are incurred across all New Categories and are not product specific. However, other overhead costs that are shared between New Categories and Rest of Business are borne by the Rest of Business as they are deemed to be incurred regardless of the performance of New Categories.

	For the year ended 31 December (£m)						
							2023
	Reported	**Adjusting Items**	**Adjusted**	**Exchange**	**Adjusted at cc**	**Inorganic Adjustments at cc**	**Adjusted Organic at cc**
(Loss)/profit from Operations	**(15,751)**	**28,216**	**12,465**	**324**	**12,789**	**(223)**	**12,566**
As delivered through:							
New Categories contribution					**32**	**(16)**	**16**
Rest of Group contribution					**12,757**	**(207)**	**12,550**

	For the year ended 31 December (£m)						
							2022
	Reported	Adjusting Items	Adjusted	Exchange	Adjusted at cc	Inorganic Adjustments at cc	Adjusted Organic at cc
Profit from Operations	10,523	1,885	12,408	(782)	11,626	(276)	11,350
As delivered through:							
New Categories contribution					(375)	15	(360)
Rest of Group contribution					12,001	(291)	11,710

	For the year ended 31 December (£m)					
						2021
	Reported	Adjusting Items	Adjusted		Inorganic Adjustments	Adjusted Organic
Profit from Operations	10,234	916	11,150		(139)	11,011
As delivered through:						
New Categories contribution			(953)		92	(861)
Rest of Group contribution			12,103		(231)	11,872

Note:
cc: constant currency – measures are calculated based on a re-translation, at the prior year's exchange rates, of the current year's results of the Group and, where applicable, its geographical segments or product categories.

Adjusted Net Finance Costs and adjusted net finance costs, at constant rates of exchange

Definition – Net finance costs before the impact of adjusting items and translational foreign exchange.

To supplement BAT's performance presented in accordance with IFRS, the Group's net finance costs are also presented before adjusting items (as defined in note 1 in the Notes on the Accounts) and before the impact of translational foreign exchange. The Group's Management Board believes that adjusted net finance costs provides information that enables investors to compare the Group's business performance across periods. The Group's Management Board uses adjusted net finance costs as part of the total assessment of the underlying performance of all the Group's business interests. Adjusted net finance costs has limitations as an analytical tool. It is not a presentation made in accordance with IFRS, is not a measure of financial condition or liquidity, and should not be considered as an alternative to the Group's net finance costs as determined in accordance with IFRS. Adjusted net finance costs is not necessarily comparable to similarly titled measures used by other companies. As a result, you should not consider this performance measure in isolation from, or as a substitute analysis for, BAT's results of operations as determined in accordance with IFRS.

The most directly comparable IFRS measure to adjusted net finance costs is net finance costs.

The table below reconciles the Group's net finance costs to adjusted net finance costs, and to adjusted net finance costs at constant rates based on a re-translation of adjusted net finance costs for each year, at the previous year's exchange rates.

	For the year ended 31 December (£m)		
	2023	2022	2021
Finance costs	**(2,081)**	(1,733)	(1,521)
Finance income	**186**	92	35
Net finance costs	**(1,895)**	(1,641)	(1,486)
Less: Adjusting items in net finance costs	**96**	34	55
Adjusted net finance costs	**(1,799)**	(1,607)	(1,431)
Comprising:			
Interest payable	**(1,835)**	(1,648)	(1,493)
Interest and dividend income	**186**	92	35
Fair value changes - derivatives	**(599)**	473	(252)
Exchange differences	**449**	(524)	279
Adjusted net finance costs	**(1,799)**	(1,607)	(1,431)
Impact of translation foreign exchange	**5**	140	
Adjusted net finance costs, at prior year's exchange rates (constant rates)	**(1,794)**	(1,467)	

Other Information

Non-GAAP Measures
Continued

Adjusted Share of Post-Tax Results of Associates and Joint Ventures

Definition – share of post-tax results of associates and joint ventures before the impact of adjusting items.

To supplement BAT's performance presented in accordance with IFRS, the Group's share of post-tax results of associates and joint ventures is also presented before adjusting items (as defined in note 1 in the Notes on the Accounts). The Group's Management Board believes that adjusted share of post-tax results of associates and joint ventures provides information that enables investors to compare the Group's business performance across periods. The Group's Management Board uses adjusted share of post-tax results from associates and joint ventures as part of the total assessment of the underlying performance of all the Group's business interests. Adjusted share of post-tax results of associates and joint ventures has limitations as an analytical tool. It is not a presentation made in accordance with IFRS, is not a measure of financial condition or liquidity, and should not be considered as an alternative to the Group's share of post-tax results of associates and joint ventures as determined in accordance with IFRS. Adjusted share of post-tax results of associates and joint ventures is not necessarily comparable to similarly titled measures used by other companies. As a result, you should not consider this performance measure in isolation from, or as a substitute analysis for, BAT's results of operations as determined in accordance with IFRS.

The most directly comparable IFRS measure to adjusted share of post-tax results of associates and joint ventures is share of post-tax results of associates and joint ventures.

	For the year ended 31 December (£m)		
	2023	2022	2021
Group's share of post-tax results of associates and joint ventures	**585**	442	415
Issue of shares and changes in shareholding	**(40)**	3	(6)
Other exceptional items in ITC	**(2)**	—	—
Impairment of the Group's associate in Yemen	**—**	18	18
Impairment in relation to Organigram (net of tax)	**34**	59	—
Other	**—**	12	—
Adjusted Group's share of post-tax results of associates and joint ventures	**577**	534	427

Adjusted Taxation

Definition – Taxation before the impact of adjusting items.

BAT management monitors the Group's adjusted taxation to assess BAT's underlying tax (as defined in note 1 in the Notes on the Accounts). Adjusted taxation is not a measure defined by IFRS. The table below provides the calculation of the Group's adjusted taxation. The Group's Management Board believes that this additional measure is useful to investors, and is used by BAT management as described above, because it excludes the tax on adjusting items and adjusting tax, thereby enhancing users' understanding of underlying business performance.

Adjusted taxation has limitations as an analytical tool. It is not a presentation made in accordance with IFRS and should not be considered as an alternative to the taxation as determined in accordance with IFRS. Adjusted taxation is not necessarily comparable to similarly titled measures used by other companies. As a result, you should not consider this measure in isolation from, or as a substitute analysis for, the Group's taxation as determined in accordance with IFRS. The table below provides the calculation of the Group's adjusted taxation for the periods presented.

	For the year ended 31 December (£m)		
	2023	2022	2021
UK corporation tax			
– current year tax expense	**20**	2	1
– adjustments in respect of prior periods	**12**	(5)	(26)
Overseas tax			
– current year tax expense	**2,804**	2,675	2,418
– adjustments in respect of prior periods	**(25)**	46	(17)
Total current tax	**2,811**	2,718	2,376
Deferred tax	**(5,683)**	(240)	(187)
Taxation on ordinary activities	**(2,872)**	2,478	2,189
Adjusting items in taxation	**73**	27	91
Taxation on adjusting items	**5,415**	176	119
Adjusted tax charge	**2,616**	2,681	2,399

Underlying Tax Rate and Underlying Tax Rate at constant rates of exchange

Definition – Tax rate incurred before the impact of adjusting items and translational foreign exchange and to adjust for the inclusion of the Group's share of post-tax results of associates and joint ventures within the Group's pre-tax results.

BAT management monitors the Group's underlying tax rate to assess the tax rate applicable to the Group's underlying operations, excluding the Group's share of post-tax results of associates and joint ventures in BAT's pre-tax results and adjusting items (as defined in note 1 in the Notes on the Accounts). Underlying tax rate is not a measure defined by IFRS. The table below provides the calculation of the Group's effective tax rate as determined in accordance with IFRS with underlying tax rate for the periods presented. The Group's Management Board believes that this additional measure is useful to investors, and is used by BAT management as described above, because it excludes the contribution from the Group's associates, recognised after tax but within the Group's pre-tax profits, and adjusting items, thereby enhancing users' understanding of underlying business performance.

Underlying tax rate has limitations as an analytical tool. It is not a presentation made in accordance with IFRS and should not be considered as an alternative to the effective tax rate as determined in accordance with IFRS. Underlying tax rate is not necessarily comparable to similarly titled measures used by other companies. As a result, you should not consider this measure in isolation from, or as a substitute analysis for, the Group's effective tax rate as determined in accordance with IFRS. The table below shows the computation of the Group's underlying tax rate for the periods presented and underlying tax rate at constant rates based on a re-translation of underlying tax rate for each year, at the previous year's exchange rates and the related reconciliation of profit before taxation to adjusted profit before taxation, excluding associates and joint ventures, and taxation on ordinary activities to adjusted taxation and adjusted taxation at constant rates of exchange.

	For the year ended 31 December (£m)		
	2023	2022	2021
(Loss)/profit before taxation	**(17,061)**	9,324	9,163
Less:			
Share of post-tax results of associates and joint ventures	**(585)**	(442)	(415)
Adjusting items within profit from operations	**28,216**	1,885	916
Adjusting items within finance costs	**96**	34	55
Adjusted profit before taxation, excluding associates and joint ventures	**10,666**	10,801	9,719
Impact of translational foreign exchange	**329**	(642)	714
Adjusted PBT, excluding associates and joint ventures at constant rates of exchange	**10,995**	10,159	10,433
Taxation on ordinary activities	**2,872**	(2,478)	(2,189)
Adjusting items within taxation and taxation on adjusting items	**(5,488)**	(203)	(210)
Adjusted taxation	**(2,616)**	(2,681)	(2,399)
Impact of translational foreign exchange on adjusted taxation	**(109)**	131	(164)
Adjusted taxation at constant rates of exchange	**(2,725)**	(2,550)	(2,563)
Effective tax rate	**16.8%**	26.6%	23.9%
Underlying tax rate	**24.5%**	24.8%	24.7%
Underlying tax rate (at constant rates)	**24.8%**	25.1%	24.6%

Other Information

Non-GAAP Measures
Continued

Adjusted Diluted Earnings Per Share and Adjusted Organic Diluted Earnings Per Share, presented at both current and constant rates of exchange

Definition – earnings per share before the impact of adjusting items and inorganic adjustments, after adjustments to the number of shares outstanding for the impact of share option schemes whether they would be dilutive or not under statutory measures, presented at the prior year's rate of exchange.

BAT management monitors adjusted diluted EPS, a measure which removes the impact of adjusting items (as defined in note 1 in the Notes on the Accounts) from diluted earnings per share. Adjusted diluted EPS is considered by the Group's Management Board to be useful to investors and is used by management within the Group's incentive schemes, as reported within the Remuneration Report beginning on page 170 and reported in note 11 in the Notes on the Accounts, as an indicator of diluted EPS before adjusting items. Adjusted Diluted EPS is not necessarily comparable to similarly titled measures used by other companies. Adjusted diluted EPS has limitations as an analytical tool and should not be used in isolation from, or as a substitute for, diluted EPS as determined in accordance with IFRS. The most directly comparable IFRS measure to adjusted diluted EPS is diluted EPS.

As Management assesses adjusted diluted earnings per share (at both current and constant ates of exchange) on an organic basis within the Group's incentive schemes, as reported within the Remuneration Report beginning in page 170, this measure is also presented excluding the inorganic performance of certain businesses bought or sold in the period.

The table below shows the computation of adjusted diluted EPS and adjusted diluted EPS at constant exchange rates for the periods presented.

	For the year ended 31 December (pence)		
	2023	2022	2021
Diluted (loss)/earnings per share	**(646.6)**	291.9	295.6
Effect of amortisation and impairment of goodwill, trademarks and similar intangibles	**1,006.1**	9.6	12.7
Net effect of excise and VAT cases	**(5.7)**	(17.1)	1.0
Effect of disposal of subsidiaries	**24.5**	(0.3)	15.6
Effect of Brazil other taxes	**1.4**	—	—
Effect of charges in respect of DOJ and OFAC investigations	**3.4**	19.9	—
Effect of charges in respect of Nigerian FCCPC case	**—**	3.5	—
Effect of planned disposal of subsidiaries	**(8.7)**	26.4	—
Effect of restructuring and integration costs	**(0.2)**	28.9	4.9
Effect of other adjusting items	**3.3**	5.2	0.6
Effect of adjusting items in net finance costs	**3.1**	1.2	2.4
Effect of associates' adjusting items	**(0.4)**	4.1	0.5
Effect of adjusting items in respect of deferred taxation	**(4.4)**	(1.9)	(4.3)
Adjusting items in tax	**1.2**	—	—
Impact of dilution*	**(1.4)**		
Adjusted diluted earnings per share	**375.6**	371.4	329.0
Impact of translational foreign exchange	**10.8**	(23.3)	12.4
Adjusted diluted earnings per share, at constant exchange rates	**386.4**	348.1	341.4
Inorganic adjustments, at constant rates	**(8.3)**	(10.2)	
Adjusted organic diluted earnings per share, at constant exchange rates	**378.1**	337.9	

	For the year ended 31 December (pence)	
	2023	2022
Adjusted diluted earnings per share (see above)	**375.6**	371.4
Inorganic adjustments	(7.1)	(12.1)
Adjusted organic diluted earnings per share	**368.5**	359.3

Adjusted organic diluted earnings per share in 2022, translated at 2022 rates was 359.3p. Adjusted organic diluted earnings per share revenue in 2023, translated at the prior year's exchange rate was 378.1p. Accordingly, the movement in adjusted organic diluted earnings per share, at constant rates of exchange in 2023 was an increase of 5.2%.

Note:
* In 2023, the Group reported a loss for the year. Following the requirements of IAS 33, the impact of share options would be antidilutive and is therefore excluded, for 2023, from the calculation of diluted earnings per share, calculated in accordance with IFRS, for that year. For remuneration purposes, and reflective of the Group's positive earnings on an adjusted basis, management have included the dilutive effect of share options in calculating adjusted diluted earnings per share.

Operating Cash Flow Conversion Ratio and Organic Operating Cash Flow Conversion Ratio

Definition – net cash generated from operating activities before the impact of adjusting items and dividends from associates and excluding taxes paid and net capital expenditure, as a proportion of adjusted profit from operations. It is also presented excluding the inorganic performance of certain businesses bought or sold in the period.

@Operating cash flow conversion ratio is a measure of operating cash flow. @Operating cash flow conversion ratio is used by Management within the Group's incentive schemes as reported within the Remuneration Report beginning on page 170@, as an indicator of the Group's ability to turn profits into cash@. Operating cash flow conversion ratio has limitations as an analytical tool. It is not a presentation made in accordance with IFRS and should not be considered as an alternative to measures of liquidity or financial position as determined in accordance with IFRS. Operating cash flow conversion ratio is not necessarily comparable to similarly titled measures used by other companies. @As a result, you should not consider this measure in isolation from, or as a substitute analysis for, the Group's results of operations or cash flows as determined in accordance with IFRS.@

As Management assesses operating cash flow conversion ratio on an organic basis within the Group's incentive schemes, as reported within the Remuneration Report beginning in page 170, this measure is also presented excluding the inorganic performance of certain businesses bought or sold in the period.

The table below shows the computation of operating cash flow conversion ratio for the periods presented.

	For the year ended 31 December (£m)		
	2023	2022	2021
Net cash generated from operating activities	**10,714**	10,394	9,717
Cash related to adjusting items	**156**	466	501
– Non-tobacco litigation costs	**(509)**	60	—
– Tobacco litigation	**460**	171	248
– Other adjusting cash items	**205**	235	253
Dividends from associates	**(506)**	(394)	(353)
Tax paid	**2,622**	2,537	2,314
Net capital expenditure	**(487)**	(599)	(632)
Other	**—**	(1)	—
Operating cash flow	**12,499**	12,403	11,547
Adjusted profit from operations*	**12,465**	12,408	11,150
Cash conversion ratio**	**-68%**	99%	95%
Operating cash flow conversion ratio	**100%**	100%	104%
Operating cash flow	**12,499**	12,403	11,547
Inorganic adjustments	**(72)**		
Organic operating cash flow	**12,427**		
Adjusted profit from operations	**12,465**	12,408	11,150
Inorganic adjustments	**(193)**		
Adjusted organic profit from operations	**12,272**		
Organic operating cash flow conversion ratio	**101%**		

Notes:
* See page 339 for a reconciliation of profit from operations to adjusted profit from operations.
** Net cash generated from operating activities as a percentage of profit from operations.

Other Information

Non-GAAP Measures
Continued

Adjusted Cash Generated from Operations (at Current and Constant Rates of Exchange) and Adjusted Organic Cash Generated from Operations (at constant rates of exchange)

Definition – net cash generated from operating activities before the impact of adjusting items (litigation), excluding dividends received from associates, and after dividends paid to non-controlling interests, net interest paid and net capital expenditure, and translational foreign exchange. It is also presented excluding the inorganic performance of certain businesses bought or sold in the period.

Adjusted cash generated from operations is a measure of cash flow which is used within the Group's incentive schemes as reported within the Remuneration Report beginning on page 170. @The Group's Management Board believes that this additional measure is useful to the users of the financial statements in helping them to see the level of cash generated by the Group's operating activities (excluding that received from associates) and after financing costs. @Adjusted cash generated from operations has limitations as an analytical tool. It is not a presentation made in accordance with IFRS and should not be considered as an alternative to measures of liquidity or financial position as determined in accordance with IFRS. Adjusted cash generated from operations is not necessarily comparable to similarly titled measures used by other companies. @As a result, you should not consider this measure in isolation from, or as a substitute analysis for, the Group's results of operations or cash flows as determined in accordance with IFRS.@

As Management assesses adjusted cash generated from operations (at constant rates of exchange) these measures also on an organic basis within the Group's incentive schemes, as reported within the Remuneration Report beginning in page 170, this measure is also presented excluding the inorganic performance of certain businesses bought or sold in the period.

The table below shows the computation of adjusted cash generated from operations for the periods presented.

	For the year ended 31 December (£m)		
	2023	2022	2021
Net cash generated from operating activities	**10,714**	10,394	9,717
Dividends paid to non-controlling interests	**(105)**	(158)	(150)
Net interest paid	**(1,763)**	(1,588)	(1,488)
Net capital expenditure	**(487)**	(599)	(632)
Other	**1**	—	—
Cash related to adjusting items within adjusted cash generated from operations	**(49)**	231	248
– Non-tobacco litigation costs	**(509)**	60	—
– Tobacco litigation	**460**	171	248
Other costs excluding litigation and restructuring costs	**19**	3	—
Dividends from associates	**(506)**	(394)	(353)
Adjusted cash generated from operations	**7,824**	7,889	7,342
Impact of translational foreign exchange	**97**	(484)	482
Adjusted cash generated from operations, at constant exchange rates	**7,921**	7,405	7,824
Inorganic adjustments, at constant exchange rates	**(2)**		
Adjusted organic cash generated from operations, at constant exchange rates	**7,919**		

@Free Cash Flow – Before and After Dividends Paid to Shareholders

Definition – net cash generated from operating activities after dividends paid to non-controlling interests, net interest paid and net capital expenditure. This measure is presented before and after dividends paid to shareholders.

To supplement BAT's net cash generated from operating activities as presented in accordance with IFRS, the Group's Management Board, as the chief operating decision-maker, reviews free cash flow (before and after dividends paid to shareholders) generated by the Group to evaluate the underlying business performance of the Group and its geographic segments. This is deemed by the Group Management Board to reflect the Group's ability to pay dividends (free cash flow before dividends paid to shareholders) or invest in other investing activities (free cash flow after dividends paid to shareholders).

Free cash flow (before dividends paid to shareholders) and free cash flow (after dividends paid to shareholders) are not measures defined by IFRS. The most directly comparable IFRS measure to free cash flow (before and after dividends paid to shareholders) is net cash generated from operating activities. The Group's Management Board believes that this additional measure is useful to the users of the financial statements in helping them to see the level of cash generated by the Group prior to the payment of dividends or debt and prior to other investing activities. Free cash flow (before and after dividends paid to shareholders) has limitations as an analytical tool. They are not a presentation made in accordance with IFRS and should not be considered as an alternative to net cash generated from operating activities as determined in accordance with IFRS. Free cash flow (before and after dividends paid to shareholders) are not necessarily comparable to similarly titled measures used by other companies. As a result, you should not consider this measure in isolation from, or as a substitute analysis for, the Group's measures of financial position or liquidity as determined in accordance with IFRS. The table below shows the reconciliation from net cash generated from operating activities to free cash flow (before and after dividends paid to shareholders) for the periods presented.

	For the year ended 31 December (£m)		
	2023	2022	2021
Net cash generated from operating activities	**10,714**	10,394	9,717
Dividends paid to non-controlling interests	**(105)**	(158)	(150)
Net interest paid	**(1,763)**	(1,588)	(1,488)
Net capital expenditure	**(487)**	(599)	(632)
Other	**1**	—	—
Free cash flow (before dividends paid to shareholders)	**8,360**	8,049	7,447
Dividends paid to shareholders	**(5,055)**	(4,915)	(4,904)
Free cash flow (after dividends paid to shareholders)	**3,305**	3,134	2,543

@

Net Debt

Definition – total borrowings, including related derivatives, less cash and cash equivalents and current investments held at fair value.

The Group uses net debt to assess its financial capacity. Net debt is not a measure defined by IFRS. The most directly comparable IFRS measure to net debt is total borrowings. The Group's Management Board believes that this additional measure, which is used internally to assess the Group's financial capacity, is useful to the users of the financial statements in helping them to see how business financing has changed over the year. Net debt has limitations as an analytical tool. It is not a presentation made in accordance with IFRS and should not be considered as an alternative to total borrowings or total liabilities determined in accordance with IFRS. Net debt is not necessarily comparable to similarly titled measures used by other companies. In addition, it does not exclude restricted cash (as set out in note 21 in the Notes on the Accounts) in the calculation. As a result, you should not consider this measure in isolation from, or as a substitute analysis for, the Group's measures of financial position or liquidity as determined in accordance with IFRS. A reconciliation of borrowings to net debt is provided in note 23 in the Notes on the Accounts.

@The table below reconciles the movement in net debt during each financial year:

	For the year ended 31 December (£m)		
	2023	2022	2021
Opening net debt	**(39,281)**	(36,302)	(40,241)
Free cash flow (after dividends paid to shareholders)	**3,305**	3,134	2,543
Other cash payments	**(303)**	(635)	(150)
Net proceeds from the issue of perpetual hybrid bonds	**—**	—	1,681
Purchase of own shares	**—**	(2,012)	—
Receipt from disposal of subsidiaries	**159**	—	—
Transferred from/(to) held-for-sale	**368**	(352)	—
Other non-cash movements	**(226)**	(84)	(11)
Impact of foreign exchange	**1,338**	(3,030)	(124)
Closing net debt	**(34,640)**	(39,281)	(36,302)

@

Other Information

Non-GAAP Measures
Continued

@Adjusted Net Debt to Adjusted Earnings Before Interest, Tax, Depreciation and Amortisation (Adjusted EBITDA), at both current and constant rates of exchange

Definition – net debt excluding the impact of the revaluation of Reynolds American Inc. acquired debt arising as part of the purchase price allocation process, as a proportion of profit for the year (earnings) before net finance costs/income, taxation on ordinary activities, depreciation, amortisation, impairment costs, the Group's share of post-tax results of associates and joint ventures, translational foreign exchange and other adjusting items.

To supplement BAT's total borrowings as presented in accordance with IFRS, the Group's Management Board, as the chief operating decision-maker, reviews adjusted net debt to adjusted EBITDA to assess its level of net debt (excluding the impact of the purchase price allocation adjustment to Reynolds American Inc. acquired debt) in comparison to the underlying earnings generated by the Group to evaluate the underlying business performance of the Group and its geographic segments. This is deemed by the Group's Management Board to reflect the Group's ability to service and repay borrowings.

For the purposes of this ratio, adjusted net debt is net debt, as discussed and reconciled on page 347, adjusted for the uplift arising on the Reynolds American Inc. debt as part of the purchase price allocation, as such an uplift in value is not reflective of the repayment value of the debt.

Adjusted EBITDA is not a measure defined by IFRS. The most directly comparable IFRS measure to adjusted EBITDA is profit for the year. The Group's Management Board believes that this additional measure, which is used internally to assess the Group's financial capacity, is useful to the users of the financial statements in helping them to see how the Group's financial capacity has changed over the year. Adjusted EBITDA has limitations as an analytical tool. It is not a presentation made in accordance with IFRS and should not be considered as an alternative to profit from operations as determined in accordance with IFRS.

Adjusted net debt to adjusted EBITDA is not necessarily comparable to similarly titled measures used by other companies. As a result, you should not consider this measure in isolation from, or as a substitute analysis for, the Group's measures of financial position or liquidity as determined in accordance with IFRS. The definition of adjusting items is provided in note 1 in the Notes on the Accounts.

The table below reconciles both total borrowings to adjusted net debt (including at constant rates of exchange) and profit for the year to adjusted EBITDA (including at constant rates of exchange) for the periods presented.

	As of the year ended 31 December (£m)		
	2023	2022	2021
Borrowings (excluding lease liabilities)	**39,232**	42,622	39,212
Lease liabilities	**498**	517	446
Derivatives in respect of net debt	**170**	167	(91)
Cash and cash equivalents	**(4,659)**	(3,446)	(2,809)
Current investments held at fair value	**(601)**	(579)	(456)
Net debt items included within asset held for sale	**—**	(352)	—
Purchase price allocation adjustment to Reynolds American Inc. debt	**(700)**	(798)	(754)
Adjusted net debt	**33,940**	38,131	35,548
Profit for the year	**(14,189)**	6,846	6,974
Taxation on ordinary activities	**(2,872)**	2,478	2,189
Net finance costs	**1,895**	1,641	1,486
Depreciation, amortisation and impairment costs	**28,614**	1,305	1,076
Share of post-tax results of associates and joint ventures	**(585)**	(442)	(415)
Other adjusting items (not related to depreciation, amortisation and impairment costs)	**360**	1,380	564
Adjusted EBITDA	**13,223**	13,208	11,874
Adjusted net debt to adjusted EBITDA	**2.57x**	2.89x	2.99x
Impact of translational foreign exchange on adjusted net debt	**1,358**	(2,406)	(477)
Adjusted net debt at constant rates of exchange	**35,298**	35,725	35,071
Impact of translational foreign exchange on adjusted EBITDA	**335**	(811)	839
Adjusted EBITDA at constant rates of exchange	**13,558**	12,397	12,713
Adjusted net debt to adjusted EBITDA at constant rates of exchange	**2.60x**	2.88x	2.76x

@

@Adjusted Return on Capital Employed

Definition – Profit from operations, excluding adjusting items and including dividends from associates and joint ventures, as a proportion of average total assets less current liabilities in the period.

The Group provides adjusted return on capital employed (adjusted ROCE) to provide users of the financial statements with an indication of the financial return (by reference to the financial performance in a given period), with the assets less current liabilities (defined as Capital Employed) in the period.

Adjusted ROCE is not a measure defined by IFRS. The most directly comparable IFRS measure to adjusted ROCE is profit from operations as a proportion of total assets less current liabilities. The Group's Management Board believes that this additional measure is useful to the users of the financial statements in helping them to see how the Group's capital employed has generated a return in any given period, by reference to Group's performance as reported via the income statement. Adjusted ROCE has limitations as an analytical tool. It is not a presentation made in accordance with IFRS and should not be considered as an alternative to other measures that may be derived from the financial statements prepared in accordance with IFRS.

Adjusted ROCE is not necessarily comparable to similarly titled measures used by other companies. As a result, you should not consider this measure in isolation from, or as a substitute analysis for, the Group's measures of financial performance or return as determined in accordance with IFRS. The definition of adjusting items is provided in note 1 in the Notes on the Accounts. The table below reconciles profit from operations to adjusted profit from operations including dividends from associated and joint ventures and provides the constituent parts of average capital employed.

	As of the year ended 31 December (£m)		
	2023	2022	2021
(Loss)/profit from operations	**(15,751)**	10,523	10,234
Adjusting items	**28,216**	1,885	916
Dividends received from associates and joint ventures	**506**	394	353
Adjusted profit from operations, inclusive of dividends from associates and joint ventures	**12,971**	12,802	11,503
Total Assets	**118,716**	153,546	137,365
Current Liabilities	**15,673**	17,853	15,144
Capital employed at balance sheet date	**103,043**	135,693	122,221
Average capital	**119,368**	128,957	122,217
Adjusted ROCE	**10.9%**	9.9%	9.4%

@

Results on a Constant Translational Currency Basis

Movements in foreign exchange rates have impacted the Group's financial results. The Group's Management Board reviews certain of its results, including revenue, revenue growth from New Categories, adjusted profit from operations and adjusted diluted earnings per share, at constant rates of exchange. The Group calculates these financial measures at constant rates of exchange based on a re-translation, at prior year exchange rates, of the current year's results of the Group and, where applicable, its geographic segments. The Group does not adjust for the normal transactional gains and losses in profit from operations that are generated by exchange movements. Although the Group does not believe that these measures are a substitute for IFRS measures, the Group's Management Board does believe that such results excluding the impact of currency fluctuations year-on-year provide additional useful information to investors regarding the Group's operating performance on a local currency basis. Accordingly, the constant rates of exchange financial measures appearing in the discussion of the Group results of operations (beginning on page 50) should be read in conjunction with the information provided in note 2 in the Notes on the Accounts.

In 2023, 2022 and 2021, results were affected by translational exchange rate movements. In 2023, at the prevailing exchange rates, reported revenue declined by 1.3%, revenue from New Categories increased by 15.6% and adjusted profit from operations increased by 0.5% versus 2022. At constant rates of exchange, reported revenue would have increased by 1.6%, revenue from New Categories would have increased by 17.8% and adjusted profit from operations would have increased by 3.1%. This lower growth rate at prevailing exchange rates reflects the negative translational impact as a result of the relative strength of the pound sterling. In 2022, at the prevailing exchange rates, revenue increased by 7.7%, revenue from New Categories increased by 40.9% and adjusted profit from operations decreased by 11.3% versus 2021. At constant rates of exchange, revenue would have increased by 2.3%, revenue from New Categories would have increased by 37.0% and adjusted profit from operations would have increased by 4.3%. This higher growth rate at prevailing exchange rates reflects the positive translational impact as a result of the relative weakening of the pound sterling.

In 2023, 2022 and 2021, adjusted diluted earnings per share was affected by translational exchange rate movements. In 2023, the adjusted diluted earnings per share of 375.6p, an increase of 1.1%, would, when translated at 2022 exchange rates, have been 386.4p, an increase of 4.0%. This lower growth rate, in 2023, at prevailing exchange rates, reflects the negative translational impact as a result of the relative strength of the pound sterling. In 2022, the adjusted diluted earnings per share of 371.4p, an increase of 12.9%, would, when translated at 2021 exchange rates, have been 348.1p, an increase of 5.8%. This higher growth rate, in 2022, at prevailing exchange rates, reflects the positive translational impact as a result of the relative weakness of the pound sterling.

Other Information

Employees

As at 31 December 2023, the number of persons employed by the Group was 46,725 worldwide. The Group believes that its labour relations are good.

Certain temporary employees are included in the below figures. The number of such temporary employees is approximately 199 in 2023 and largely relates to seasonal workers within operations.

The following table sets forth the number of Group employees by region in 2023, 2022 and 2021.

	As of 31 December		
Region (number of employees worldwide)	**2023**	2022	2021
U.S.	**3,763**	4,152	4,405
AME	**30,100**	33,175	33,782
APMEA	**12,862**	13,070	13,863
Total employees	**46,725**	50,397	52,050

Note:
1. Included within the employee numbers for AME are certain employees in different locations in respect of central functions. Some of the costs of these employees are allocated or charged to the various regions and markets in the Group.

Additional Disclosures on Liquidity and Capital Resources

Additional Disclosures on Liquidity and Capital Resources

The Group's cash inflows derive principally from its operating activities. They are supplemented when required by cash flows from financing activities, typically to support general corporate requirements but also, from time to time, to support acquisitions. The principal sources of liquidity for the Group are cash flows generated from the operating business and proceeds from issuances of debt securities described below under 'capital resources'.

The Board reviews and agrees the overall treasury policies and procedures, delegating appropriate oversight to the Interim Finance Director and the treasury function. The treasury policies include a set of financing principles and key performance indicators. The Group's treasury position is monitored by a Corporate Finance Committee chaired by the Interim Finance Director. Treasury operations are subject to periodic independent reviews and audits, both internal and external.

Capital Expenditure

Gross capital expenditures include purchases of property, plant and equipment and purchases of certain intangibles. The Group's gross capital expenditures for 2023, 2022 and 2021 were £541 million, £630 million and £664 million, respectively, representing investment in the Group's global operational infrastructure (including, but not limited to, the manufacturing network, trade marketing and IT systems). The Group expects gross capital expenditures in 2024 of approximately £550 million, representing the ongoing investment in the Group's operational infrastructure, including the continued investment in New Categories. This is expected to be funded by the Group's cash flows and existing facilities.

Hedging Instruments

As discussed in note 19 in the Notes on the Accounts, the Group hedges its exposure to interest rate movements and currency movements. BAT's cash flow hedges are principally in respect of sales or purchases of inventory and certain debt instruments. A certain number of forward foreign currency contracts were used to manage the currency profile of external borrowings. Interest rate swaps have been used to manage the interest rate profile of external borrowings, while cross-currency swaps have been used to manage the currency profile of external borrowings.

Capital Resources

Policy

The Group utilises cash pooling and zero balancing bank account structures in addition to intercompany loans and borrowings to ensure that there is the maximum mobilisation of cash within the Group. The key objectives of treasury in respect of cash and cash equivalents are to protect the principal value of the Group's cash and cash equivalents, to concentrate cash at the centre to minimise the required long-term debt issuance, including perpetual hybrid debt treated as an equity instrument, and to optimise the yield earned. The amount of debt the Group issues is determined by forecasting the net debt requirement after the mobilisation of cash. Subsidiary companies are funded by share capital and retained earnings, loans from the central finance companies on commercial terms or through local borrowings by the subsidiaries in appropriate currencies. All contractual borrowing covenants have been met and none are expected to inhibit the Group's operations or funding plans.

Borrowings

The following table sets out the Group's long- and short-term borrowings as of the dates indicated:

				As of 31 December (£m)[1]		
	Currency	Maturity dates	Interest rates at 31 December 2023	**2023**	2022	2021
Eurobonds[2]	Euro	2024 to 2045	1.3% to 5.4%	**5,569**	7,149	7,316
	UK sterling	2024 to 2055	2.1% to 7.3%	**3,097**	3,884	4,086
	Swiss franc	2026	1.4%	**234**	226	203
Bonds issued pursuant to rules under the U.S. Securities Act (as amended)[2]	US dollar	2024 to 2053	1.7% to 8.1%	**29,913**	30,152	25,625
	US dollar	2022	US$3m LIBOR + 0.88 bps	**—**	—	554
Commercial paper[2]				**—**	27	269
Other loans				**100**	875	500
Bank loans				**216**	203	313
Bank overdrafts				**103**	106	346
Finance leases				**498**	517	446
Total				**39,730**	43,139	39,658

Notes:

1. The financial data above has been extracted from the Group's consolidated financial statements.
2. The issuers of these debt securities are B.A.T. International Finance p.l.c., B.A.T Capital Corporation, Reynolds American Inc., or R.J. Reynolds Tobacco Company, as applicable. British American Tobacco p.l.c. is the ultimate guarantor in each case.
   Perpetual hybrid bonds issued by the Company have been classified as equity and therefore excluded from borrowings.

* Eurobond with a maturity date in 2021 that was repaid in 2021.

Other Information

Additional Disclosures on Liquidity and Capital Resources
Continued

Off-Balance Sheet Arrangements and Contractual Obligations

The Group has no significant off-balance sheet arrangements. The Group has contractual obligations to make future payments on debt agreements. In the normal course of business, the Group enters into contractual arrangements where the Group commits to future purchases of services from unaffiliated parties and related parties.

The Group's undiscounted contractual obligations as of 31 December 2023 were as follows:

	Payments due by period (£m)				
	Total	Less than 1 Year	1–3 Years	3–5 Years	Thereafter
Long-term notes and other borrowings, exclusive of interest[1]	**39,157**	3,751	5,877	6,357	23,172
Interest payments related to long-term notes[1]	**573**	573	—	—	—
Lease liabilities	**498**	131	180	88	99
Purchase obligations[2]	**1,023**	947	76	—	—
Total cash obligations	**41,251**	5,402	6,133	6,445	23,271

Notes:
1. For more information about the Group's long-term debt, see note 23 in the Notes on the Accounts.
2. Purchase obligations primarily include commitments to acquire tobacco leaf. Purchase orders for the purchase of other raw materials and other goods and services are not included in the table, as the Group's operating subsidiaries are not able to determine the aggregate amount of such purchase orders that represent contractual obligations, as purchase orders typically represent authorisations to purchase rather than binding agreements.

The table above does not include any amounts that the Group may pay to fund its retirement benefit plans as the timing and amount of any such future funding are unknown and dependent on, among other things, the future performance of defined benefit pension plan assets, interest rate assumptions and other factors. The net retirement benefit scheme assets totalled £75 million as of 31 December 2023, which is net of pension assets of £7,317 million. The Group expects to be required to contribute £48 million to its defined benefit plans during 2024. See note 15 in the Notes on the Accounts for further information.

The above table also excludes any amounts in relation to service contracts which are disclosed in note 31 in the Notes on the Accounts. The Group has £60 million of future contractual commitments (2022: £80 million) related to property, plant and equipment and £2 million of future contractual commitments (2022: £1 million) related to intangible assets.

Summary of Group Risk Factors

The following is a summary of some of the risks and uncertainties, the occurrence of any one of which, alone or in combination with other events or circumstances, may materially adversely affect the Group's results of operations and financial condition. You should read this summary together with the 'Group Principal Risks' section from pages 121 to 128 and the more detailed description of each risk factor contained below. One of the principal risks "Inability to develop, commercialise and deliver the New Categories strategy" is an amalgamation of various risk factors across all four Group Risk Factor categories of Business execution and supply chain, Legal, regulatory and compliance, Economic and financial and Product pipeline, commercialisation and intellectual property.

Business execution and supply chain risks

- Competition from illicit trade.
- Geopolitical tensions that have the potential to disrupt the Group's business in multiple markets.
- Injury, illness or death in the workplace.
- Disruption to the Group's data and information technology systems, including by cyber attack or the malicious manipulation or disclosure of confidential or sensitive information.
- Failure to meet current or future New Categories demand.
- Failure of a financial counterparty.
- Exposure to unavailability of, and price volatility, in raw materials and increased costs of employment.
- Failure to retain key personnel or to attract and retain skilled talent.
- Disruption to the supply chain and distribution channels.
- Failure to uphold the high standard of sustainability management, performance and reporting.
- Failure to successfully design, implement and sustain an integrated framework and operating model for Artificial Intelligence (AI).
- Inability to obtain adequate supplies of tobacco leaf.
- Exposure to product contamination.
- Failure to successfully design, implement and sustain an integrated technical landscape and ERP strategy.
- Failure to manage the Group's climate change and circular economy risks.
- Impact of a pandemic on the performance of the Group.

Legal, regulatory and compliance risks

- Exposure to, the enactment of, proposals for, or expectations of regulation that significantly impairs the Group's ability to communicate, differentiate, market or launch its products and/or the lack of appropriate regulation for New Categories.
- Adverse implications of EU legislation on single-use plastics that will result in on-pack environmental warnings and financial implications relating to Extended Producer Responsibility (EPR).
- Exposure to litigation, regulatory action or criminal investigations on tobacco, nicotine, New Categories and other issues.
- Significant and/or unexpected increases or structural changes in tobacco and nicotine-related taxes.
- Failure to comply with health and safety and environmental laws.
- Exposure to unfavourable tax rulings.
- Unexpected legislative changes to corporate income tax laws.
- Exposure to potential liability under competition or antitrust laws.
- Failure to establish and maintain adequate controls and procedures to comply with applicable securities, corporate governance and compliance regulations.
- Lack of external recognition and acceptance of the foundational science and inability to effectively communicate to stakeholders about the potential health impact of our New Category products.
- Insufficient product stewardship and failure to comply with product regulations.
- Failure to uphold high standards of corporate behaviour, including through unintended or malicious breach of anti-bribery and anti-corruption and other anti-financial crime laws.
- Imposition of sanctions under sanctions regimes or similar international, regional or national measures.
- Failure to uphold New Categories marketing practices.
- Loss or misuse of personal data through a failure to comply with the European General Data Protection Regulation, the UK Data Protection Act 2018, e-Privacy laws and other privacy legislation governing the processing of personal data.

Economic and financial risks

- Foreign exchange rate exposures.
- Inability to obtain price increases and exposure to risks from excessive price increases and value chain erosion.
- Effects of declining consumption of legitimate tobacco products and a tough competitive environment.
- Funding, liquidity and interest rate risks.
- Failure to achieve growth through mergers, acquisitions, joint ventures, investments and other transactions.
- Unforeseen underperformance in key global markets.
- Increases in net liabilities under the Group's retirement benefit schemes.

Product pipeline, commercialisation and Intellectual Property risks

- Inability to predict consumers' changing behaviours and launch innovative products that offer adult tobacco and nicotine consumers meaningful value-added differentiation.
- Exposure to risks associated with intellectual property rights, including the failure to identify, protect and prevent infringement of the Group's intellectual property rights and potential infringement of, or the failure to retain licences to use, third-party intellectual property rights.

Other Information

Group Risk Factors

Business Execution and Supply Chain Risks

Risk: Competition from illicit trade

Description

Illicit trade in the form of counterfeit products, diversion of genuine Group products, and locally manufactured products, which do not comply with applicable regulations and/or in which applicable taxes are evaded, represent a significant and growing threat to the legitimate tobacco industry, including New Categories products. Factors such as increasing levels of taxation and inflation, economic downturn and increased cost of living, lack of law enforcement, appropriate penalties and weak border control are encouraging more adult tobacco and New Categories consumers to switch to illegal cheaper tobacco and New Categories products and are providing greater rewards for counterfeiters and smugglers. Regulatory restrictions such as plain packaging or graphic health warnings, display bans, flavour or ingredient restrictions and increased compliance costs further disadvantage legitimate industry participants by providing competitive advantages to illicit manufacturers and distributors of illicit tobacco and New Categories products.

Impact

Illicit trade has an overall negative impact on society, deprives governments of revenues and encourages various forms of crime such as terrorism and human trafficking. Above all, illicit trade has an adverse effect on the Group's overall business and reputation. Illicit trade can damage brand equity, which could undermine the Group's investment in Trade Marketing and Distribution, increase operational costs where products may become commoditised, make it more difficult to adhere to underage prevention and decrease volumes sold. Although our AIT policy is an integral part of our SoBC, representing our internal commitment in the fight against illicit trade and sets out the controls all Group companies must have in place and adhere to, it cannot prevent all instances of illicit trade.

Furthermore, counterfeit products (especially New Categories) and other illicit products could harm consumers, damages goodwill and/or the category (with lower volumes and reduced profits), and could potentially lead to misplaced claims against BAT, further regulation and a failure to deliver our corporate harm reduction objective.

Finally, as the Group has contractual and legislative obligations to prevent the diversion of our products into illicit channels, actual and perceived breaches of the obligations to prevent product diversion into illicit channels can lead to substantial fines in the forms of seizure payments and legislative penalties (including financial penalties), as well as the risk of reputational damage (including negative perceptions of our governance and our ESG credentials) from Group products being found in illicit channels.

Risk: Geopolitical tensions that have the potential to disrupt the Group's business in multiple markets

Description

The Group's operations and financial condition are influenced by the economic and political situations in the markets and regions in which it has operations, which are often unpredictable and outside of its control. Some markets in which the Group operates face the threat of civil unrest and can be subject to frequent changes in regime. In others, there is a risk of terrorism, conflict, global health crisis, war, organised crime or other criminal activity. The Group is also exposed to economic policy changes in jurisdictions in which it operates. In addition, some markets maintain trade barriers or adopt policies that favour domestic producers, preventing or restricting the Group's sales.

Impact

Deterioration of socio-economic or political conditions could lead to injury or loss of life, restricted mobility, loss of assets and/or denial of access to BAT sites that reduce the Group's access to particular markets or may disrupt the Group's operations, such as supply chain, or manufacturing or distribution capabilities. Such disruptions, including recent attacks on shipping routes in the Red Sea, may result in increased taxes and/or other costs due to the requirement for more complex supply chain and security arrangements, the need to build new facilities or to maintain inefficient facilities, or in a reduction of the Group's sales volume. Further, there may be reputational damage, including negative perceptions of our governance and protection of our people and our ESG credentials.

Risk: Injury, illness or death in the workplace

Description

The Group considers the safety of its employees and other individuals working with it as of utmost importance and fundamental concern. Loss of life, serious injury, disability or illness to employees or individuals due to accident, geopolitical tension or other events may occur during the research, manufacturing, distribution or retail of the Group's products.

Impact

Past events have, and future events may led to serious injuries, ill health, disability or loss of life to employees and individuals who work with the Group. This may result in reputational damage, difficulties in recruiting and retaining staff, exposure to civil and criminal liability, prosecution and fines and penalties. These impacts could have an adverse effect on the Group's results of operations and financial condition and have a negative impact on its ESG credentials.

Risk: Disruption to the Group's data and information technology systems, including by cyber attack or the malicious manipulation or disclosure of confidential or sensitive information

Description

The Group relies on information and digital technology (IDT) systems and networks to conduct core activities, such as manufacturing, distribution, marketing, customer service, R&D and financial and management reporting, amongst other core activities. There is a risk that these systems may be disrupted by intentional or unintentional actions that may compromise the integrity of information, result in the inappropriate disclosure of confidential information, disrupt the operations of the Group, or may lead to false or misleading statements being made about the Group.

Impact

The Management recognises that cyber security threats could pose significant risks to the Group's business, reputation, financial condition, and competitive position, and to the safety and privacy of our consumers, employees and other stakeholders.

Any disruption to technology systems related to the Group's operations could adversely affect its business and result in financial, legal and reputational impacts. Any delays or failure to detect or respond to attempts to gain unauthorised access to the Group's information technology systems can lead to a loss in confidentiality, integrity or availability of systems and/or data.

A security incident may result in:

- Loss or theft of confidential business information, when used alone or in conjunction with any other available information that reduces the impact of BAT business strategy, investments and commercial operations.
- Personal data breach incidents that result in the disclosure of personally identifiable data resulting in legal, reputational, and regulatory compliance impacts.
- Disruption to BAT's business operations that impacts R&D facilities, manufacturing, distribution or technology services resulting in business interruption and/or impacts to health and safety.
- Inappropriate use of technology systems to enable fraud, or theft of product, technology, or monetary resources.
- Loss of digital trust resulting in brand damage and a loss of consumer trust.
- A cyber incident experienced by a third party partner or supplier resulting in business interruption, supply chain disruption, loss of company data or provides access or transmission of malicious activity from the supplier to BAT.

Risk: Failure to meet current or future New Categories demand

Description

The New Categories supply chain is a multi-tiered and complex environment with reliance on multiple factors, such as third-party suppliers' ability to upscale production in order to meet demand while maintaining product quality, dependency on single suppliers at various points in the chain and the Group's ability to build adequate consumables production capacity in line with product demand. The geographical spread of suppliers and customers exposes the Group to political and economic issues such as Brexit and trade wars which may compromise the New Categories supply chain. Given the developing nature of the New Categories portfolio, there is also an enhanced risk that some products may not meet product quality and safety standards or may be subject to regulatory changes, leading to product recalls, which we have experienced in the past, or bans of certain ingredients or products. In addition, the New Categories supply chain may be vulnerable to changes in local legislation related to liquid nicotine that could increase import duties. Furthermore, the New Categories supply chain includes the development of sensitive trade secrets jointly with external design partners, which carries the risk of exposure of innovations to competitors.

Impact

Vulnerabilities in the New Categories supply chain may impact the Group's ability to maintain supply and meet the current and future demand requirements across the New Categories portfolio, potentially resulting in significant reputational harm and financial impact that may negatively affect the Group's results of operations and financial condition and cause the Group to fail to deliver on its strategic growth plans. Over-forecasting may also lead to write-offs and negatively impact working capital. The design of New Categories devices may also prevent the scaling of commercial manufacturing, which will either restrict supply or increase the costs of production.

Further, there may be loss of investors' confidence in ESG performance, including failure to deliver our corporate purpose of harm reduction.

In addition, changes in local legislation related to liquid nicotine import duties may increase New Categories production costs, which may increase end market pricing and reduce demand. Furthermore, the exposure of sensitive trade secrets can lead to competitive disadvantages and further negatively impact the Group's results of operations and financial condition and cause the Group to fail to deliver on its strategic growth plans.

Other Information

Group Risk Factors
Continued

Business Execution and Supply Chain Risks continued

Risk: Failure of a financial counterparty

Description

The Group relies on transactions with a variety of financial counterparties to manage the Group's business and financial risks. In the event that any of these counterparties fails, payments due from such counterparties, such as under hedging or insurance contracts, may not be recovered. In addition, failure of a transactional banking party may lead to the loss of cash balances and disruption to payment systems involving such counterparty.

Impact

The inability to recover payments due from one or more failed financial counterparties or the loss of cash balances may cause significant financial loss and have an adverse impact on the Group's results of operations, financial condition and financial risk profile. In addition, the loss of cash balances or a disruption to payment systems may cause disruption to the Group's ongoing operations and ability to pay its creditors and suppliers.

Risk: Exposure to unavailability of, and price volatility in, raw materials and increased costs of employment

Description

The availability and price of various commodities required in the manufacture of the Group's products fluctuate. Raw materials and other inputs used in the Group's business, such as wood pulp and energy, are commodities that are subject to price volatility caused by numerous factors, including inflation, political influence, market fluctuations and natural disasters.

Similarly, the Group is exposed to the risk of an increase above inflation in employment costs, including due to governmental action to introduce or increase minimum wages. Employment and health care law changes and the increase in inflation may also increase the cost of provided health care and other employment benefits expenses.

Impact

Restricted availability and price volatility of commodities may result in supply shortages and unexpected increases in costs for raw materials and packaging for the Group's products, which may affect the Group's results of operations and financial condition.

The Group experienced some of these effects during 2023, including higher cost of direct materials due to energy scarcity, increase in transportation rates and commodity prices, as well as increases in utility costs resulting from the conflict in Ukraine, all of which have led to increases in overall cost. While inflation also caused an increase in employment costs, this did not have a material adverse effect to the Group's profitability. However, we cannot assure that this will not be materially affecting the Group's profitability in the future.

The Group has not always been able to, and in the future may not be able to, increase prices to offset increased costs without suffering reduced sales volume and revenue. In the absence of compensating for increased costs through pricing, significant increases in raw material, packaging and employment costs above inflation will impact product margins, leading to lower profits and negatively affecting the Group's results of operations and financial condition and cause the Group to fail to deliver on its strategic growth plans.

Risk: Failure to retain key personnel or to attract and retain skilled talent

Description

The Group relies on a number of highly experienced employees with detailed knowledge of the tobacco and nicotine industry, other areas of focus for the Group (including New Categories and Beyond Nicotine) and the Group's business. Similarly, the Group is dependent on its ability to identify, attract, develop and retain such qualified personnel in the future. The Group is also dependent on external hires to ensure we are equipped with the right new business-critical capabilities and knowledge to accelerate transformation. BAT anticipates that this trend will continue and therefore the ability to continue to build awareness, increase reach and ultimately attract the new target audience remains a primary focus.

The shift in employees' preferences and societal expectations post COVID-19 are leading to shorter tenures. Furthermore, broader economic and ESG trends may impact the Group's ability to retain key employees and may increase competition for highly talented employees. Whilst the Group is enhancing its effort on retaining critical capabilities and knowledge, building the right leadership behaviour and organisational culture, and focusing on employee development and engagement, the retention risk of experienced employees remains an area requiring management attention.

Impact

If the Group is unable to retain its existing key employees or to attract and retain skilled talent in the future, critical positions may be left vacant, resulting in a failure to retain critical business knowledge required for our transformation, as well as adversely impacting the Group's results of operations, financial condition and achieving broader business objectives, such as its sustainability ambitions.

High voluntary employee turnover may also reduce organisational performance and productivity, leading to further adverse impact on the Group's results of operations and financial condition and cause the Group to fail to deliver on its strategic growth plans.

Risk: Disruption to the supply chain and distribution channels

Description

The Group has adopted an increasingly global approach to managing its supply chain, including distribution channels. Disruption to the Group's supply chain may be caused by various factors, including, but not limited to, disruption to suppliers' operations or to distribution channels, and the deterioration in the financial condition of a trading partner. The Group foresees a heightened level of risk of disruption in our New Categories supply chain because it is multi-tiered and complex in sourcing and distribution. Such disruption may be caused by a cyber event, a global health crisis, political tensions, strikes, riots, civil commotion, a major fire, severe weather conditions or other natural disasters which affect manufacturing or other facilities of the Group's operating subsidiaries or those of their suppliers and distributors. In certain geographic areas where the Group operates, insurance coverage may not be obtainable on commercially reasonable terms, if at all. Coverage may be subject to limitations, or the Group may be unable to recover damages from its insurers. Disruption may also be caused by spread of infectious disease (such as the COVID-19 pandemic) or by a deterioration/shortage in labour or union relations, disputes or work stoppages or other labour-related developments within the Group or its suppliers and distributors. In addition, the Group's operating subsidiaries may not be able to establish or maintain relationships on favourable commercial terms with their suppliers and distributors. In some markets, distribution of the Group's products occurs through third-party monopoly channels, often licensed by governments. The Group may be unable to renew these third-party supplier and distribution agreements on satisfactory terms for many different reasons, including government regulations or sustainability considerations. There are also some product categories for which the Group does not have surplus production capacity or where substitution between different production plants is impractical - this may cause further disruption to our supply chain. Consolidation of global suppliers and certain distributors that control large geographies may reduce the Group's availability of alternatives and negatively impact the Group's negotiating power with key suppliers and distributors. These risks are particularly relevant in jurisdictions where the Group's manufacturing facilities are more concentrated or for certain product categories where production is more centralised.

Impact

Any disruption to the Group's supply chain and distribution channels could have an adverse effect on the results of operations and financial conditions of the Group through failures to meet shipment demand, contract disputes, increased costs, loss of market share and inability to reinvest into New Category and support harm reduction agenda and cause the Group to fail to deliver on its strategic growth plans.

Risk: Failure to uphold the high standard of sustainability management, performance and reporting

Description

Stakeholder expectations of, and regulatory requirements for, the Group's sustainability management, ESG performance and reporting are continually evolving: for example, the EU Corporate Sustainability Reporting Directive (CSRD) recently introduced a number of new reporting obligations. The Group may fail to have the appropriate internal standards, strategic plans and governance, compliance, monitoring and reporting mechanisms in place to ensure it can identify emerging issues, meet external expectations and comply with applicable requirements. In addition, the Group relies on third-parties for certain ESG performance monitoring, measurement and other sustainability-related services. Such service providers may fail to perform these services to the specified or required standards or timeframes.

Impact

Failure to uphold high standards of sustainability management and ESG performance or provide transparent and consistent reporting, in line with applicable requirements, could significantly impact Group reputation or compliance and reduce investor confidence. In addition, poor performance across any aspect of ESG, such as a failure to sufficiently address climate change mitigations, expectations and requirements or human rights impacts across the Group's business and supply chain, could result in increased costs and regulation, difficulty in attracting and retaining talent, criminal or civil prosecution, or decreases in consumer demand for our products. Poor performance could also result in our failure to deliver our ESG targets.

Failure to responsibly and transparently market our products and communicate our achievements and position, such that we are accused of greenwashing, could potentially cause reputational damage and litigation impacts. In addition, the Group's association with any provider of sustainability-related services that fails to perform its services for the Group or third-parties to the specified or required standard or is alleged to have done so could also result in reputational damage and litigation impacts.

Other Information

Group Risk Factors
Continued

Business Execution and Supply Chain Risks continued

Risk: Failure to successfully design, implement and sustain an integrated framework and operating model for Artificial Intelligence (AI).

Description

Inability to effectively establish and maintain a cohesive and functional AI framework and operating model within the Group could result in suboptimal utilisation of available AI technology, reduced efficiency and effectiveness, missed opportunities for innovation and value creation, potentially harmful use of AI technology and violation of laws and regulations. Further, improper use of AI technology could cause potential exposure regarding consumer privacy breaches. Additionally, we might be non-compliant regarding the implementation of new technologies, including as a result of ambiguous legal requirements. The Group may also fail to ensure that the design, implementation and ongoing management of the AI framework and operating model are well-planned, properly resourced and effectively executed.

Impact

Without a well-designed and properly functioning AI framework and operating model, the organisation may not be able to fully leverage the potential of AI technology and improve operational efficiency and effectiveness, which could result in missed opportunities for innovation and value creation, potentially putting the organisation at a competitive disadvantage. The lack of a cohesive and functional AI framework and operating model could result in increased costs associated with suboptimal utilization of AI technology, as well as the potential need for additional resources to address issues and inefficiencies. Inability to adapt and adopt the technology in an effective and compliant manner could result in reputational damage if the organisation is perceived as being unable to effectively leverage emerging technologies and using data in a manner inconsistent with consumers' ethical expectations and company values. In addition, use of discriminatory or unexplainable algorithms for decision making could potentially result in fines for BAT and increased attention from regulatory authorities, consumers and other stakeholders.

Risk: Inability to obtain adequate supplies of tobacco leaf

Description

The Group purchases significant volumes of packed leaf each year. Tobacco leaf, as any other agricultural commodity, can be impacted by a variety of external factors. Like any other agricultural supply chain, it can be particularly vulnerable to a range of challenges, including climate change, weather-related events, such as drought, flood and other natural disasters, increasing demand for land and natural resources, rural poverty, social inequality, child labour and ageing farmer populations. Tobacco production in certain countries is also subject to a variety of controls, including regulation affecting farming and production control programmes, and competition for land use from other agriculture commodities. Such controls and competition can further constrain the production of tobacco leaf, raising prices and reducing supply.

The Group recognises the above and any combination of those, including topics like child labour, as a risk to our tobacco leaf supply chain.

Impact

Restricted availability of tobacco leaf may prevent the Group accessing sufficient tobacco leaf that meets its volume, quality and sustainability requirements. This could lead to an impact in the quality of the Group's products to a level that may be perceptible by consumers and may impact the Group's ability to deliver on consumer needs. The Group's Sustainability commitments may restrict the sources we can buy from, which would result in an imbalance in supply and demand potentially causing incremental tobacco prices. Higher tobacco leaf prices would result in increased raw material costs and have an adverse effect on the Group's financial condition. The Group may also experience reputational damage from not adequately managing its sustainability priorities like climate change, protection of natural resources, including forests, and human rights in our leaf supply chain, which may restrict suppliers willing to do business with us.

Risk: Exposure to product contamination

Description

The Group may experience product contamination, whether by accident or deliberate malicious intent, during supply chain or manufacturing processes, or may otherwise fail to comply with the Group's quality standards. The Group may also receive threats of malicious tampering.

Impact

Product contamination or threats of contamination may expose the Group to significant costs associated with recalling products from the market or temporarily ceasing production. In addition, adult tobacco consumers may lose confidence in the specific brand affected by the contamination, resulting in reputational damage and a loss of sales volume and market share. The Group could be subject to liability and costs associated with civil and criminal actions as well as regulatory sanctions brought in connection with a contamination of the Group's products. Each of these results may in turn have an adverse effect on the Group's results of operations, financial condition and reputation and cause the Group to fail to deliver on its strategic growth plans.

Risk: Failure to successfully design, implement and sustain an integrated technical landscape and ERP strategy

Description

The Group aims to improve profitability and productivity through supply chain improvements and the implementation of an integrated operating model and organisational structure, including standardisation of processes, centralised back-office services and a common IT platform. The Group undertakes transformation initiatives periodically which aim to enhance the organisation and facilitate growth, including the Group's focus on New Categories and Beyond Nicotine. The Group's efforts to achieve these goals are driven and enabled through use of our TaO (central SAP ERP system) global template – a standardised process used by the Group with the use of a central SAP instance common for the Group's subsidiaries. These processes include, among others, core back-office global processes, procurement, warehouse management, accounting and controlling.

Impact

Failure by the Group to successfully evolve the TaO system to support a multi-category business model or not having a clear future-fit ERP strategy, could lead to the Group's inability to support BAT's strategy and transformation, and realise anticipated benefits. Additionally, this could lead to increased costs, disruption to operations, decreased trading performance, disgruntled employees, loss of institutional knowledge and reduced market share. These results could in turn reduce profitability and funds available for investment by the Group in long-term growth opportunities. Inability to develop governance process models in line with BAT's evolving business strategy may result in the failure to achieve sustainable multi-category growth including capturing additional productivity gains and achieving ESG goals which may in turn have an adverse effect on the Group's results of operations and financial condition and cause the Group to fail to deliver on its strategic growth plans.

Risk: Failure to manage the Group's climate change and circular economy risks

Description

The Group is exposed to physical risks associated with climate change from severe weather events such as flooding, drought and storms across its global operations and supply chain. Climate change may cause acute physical risks such as more frequent and severe weather events, or chronic risks such as those related to longer-term shifts in climate patterns and temperatures. These, alongside their direct impact on Group operations, could lead to reductions in the supply and quality of tobacco leaf and other physical goods and cause transport and logistics disruptions in our supply chains.

The Group may also experience transition risks associated with the move to a low carbon economy, such as emissions-related regulations and additional taxes applicable to its operations and its supply chain. The Group is exposed to risks associated with the move towards a circular economy, including product-related regulatory risks, such as product design/disassembly requirements and Extended Producer Responsibility (EPR) requirements. As climate change and circular economy-related legislation and reporting requirements further evolve, companies need to effectively identify, assess, monitor and mitigate associated transition risks; failure to do so adequately or less well than others could lead to BAT scoring lower in ESG ratings and indices used by financial actors in making investment decisions.

As consumer and customer behaviours and expectations further evolve, the Group may fail to sufficiently adapt its product portfolio and marketing strategy in response to stakeholders' increasing sustainability expectations. Climate change and circular economy-related considerations, including relevant aspects of products and value chains, may result in a potential reduced demand for or rejection of the Group's products as well as reputational risk in relation to sustainability matters.

Impact

Disruption to the Group's agricultural and/or non-agricultural supply chain or product distribution channels, including logistics, could have an adverse effect on its operations and financial condition through failures to meet product demand, contract disputes, increased costs and loss of market share.

Consumer and customer behaviours and expectations may influence their purchasing decisions and may lead them to seek alternative product offerings. An inability to develop and commercialise products, packaging or value chain sustainability innovations in-line with demand or less well than competitors, including failures to adequately predict changes in consumer and societal behaviour and expectations and reflect them in the product portfolio, could lead to missed commercial opportunities, under- or over-supply, loss of competitive advantage, loss of market share, unrecoverable costs and the erosion of the Group's consumer base or brand equity. This includes potential impacts from a failure to adequately manage product-related ESG performance and EPR requirements. In addition, consumers failing to engage in product recycling and/or Take-Back schemes could also have an impact on the Group's product-related and EPR risks and requirements.

Material non-compliance with climate change and/or circular economy-related legislation or reporting requirements could reduce BAT's ability to attract investors, result in reputational damage and potentially regulatory sanctions. Poor results in ESG ratings and indices used by financial actors may negatively impact their investment decisions, and thereby increase the cost of capital or negatively impact share price.

Failure to meet current and future employees' expectations concerning the Group's actions to mitigate and adapt to climate change or address circular economy matters may negatively impact the retention and/or attraction of high-quality employees.

Other Information

Group Risk Factors
Continued

Business Execution and Supply Chain Risks continued

Risk: Impact of a pandemic on the performance of the Group

Description

The Group continues to closely monitor the potential for disruption arising from pandemics, the most recent having been coronavirus (COVID-19). Consequences may include significant logistical challenges for employees and their ability to perform their duties, potential loss of lives or significant level of illness in the workforce, inability to deliver revenue stream and market share targets impacting profits and cash flows, and disruption to the supply chain and third parties being unable to deliver contractual goods and services. In addition, some countries in which the Group operates have adopted regulations restricting the ability to manufacture, distribute, market and sell products.

Impact

The influence of COVID-19, future variants and other pandemics on the Group's operations and financial condition is difficult to predict given the wide range of determining factors, not least the nature of the pandemic/virus, its speed of infection, geographical scope and duration. The impact of a pandemic on global economic activity and the nature and severity of measures adopted by governments are numerous. The impact on the Group is not limited to:

- Reductions or volatility in consumer demand for one or more of our products due to illness, retail closures, quarantine or other travel restrictions, health consciousness (quitting use of tobacco and nicotine products), government restrictions, the deterioration of socio-economic conditions, economic hardship and customer-downtrading (switching to a cheaper brand), which may impact the Group's market share.
- Disruptions to the Group's operations, such as its supply chain, or manufacturing or distribution capabilities, which may result in increased costs due to the need for more complex supply chain arrangements, to expand existing facilities or to maintain inefficient facilities, a reduction of the Group's sales volumes or an increase in bad debts from customers.
- Disruption to the Group's operations resulting from a significant number of the Group's employees, including employees performing key functions, working remotely for extended periods of time or becoming ill, which may reduce the employees' efficiency and productivity and cause product development delays, hamper new product innovation and have other adverse effects on the Group's business.
- Significant volatility in financial markets (including exchange rate volatility) and measures adopted by governments and central banks that further restrict liquidity, which may limit the Group's access to funds, lead to shortages of cash and cash equivalents needed to operate the Group's business, and impact the Group's ability to refinance its existing debt.
- Regulations restricting the ability to manufacture, distribute, market and sell products, and potentially increasing illicit trade.
- Governments seeking to increase revenues through increased corporate taxes and excise in combustible and/or New Category products, increasing the cost and prices of our products – which could reduce volumes and margins, and/or increase illicit trade.

While some negative effects caused by COVID-19 have taken place in several End Markets over the last few years, including reduced demand due to temporary smoking bans, lockdown restrictions, increased border checks and change in consumer behaviours, none of these have had a material effect on the Group's overall profitability. However, all of the above factors may have material adverse effects on the Group's results of operations and financial condition and cause the Group to fail to deliver on its strategic growth plans. The difficulty in predicting future pandemics exacerbates this risk.

Legal, Regulatory and Compliance Risks

Risk: Exposure to, the enactment of, proposals for, or expectations of regulation that significantly impairs the Group's ability to communicate, differentiate, market or launch its products and/or the lack of appropriate regulation for New Categories

Description

Tobacco control measures are in place in nearly all markets in which we operate. Regulation for Vapour and THP is now widespread, while regulation of nicotine pouches is appearing in a growing number of markets. Such restrictions are introduced by legislation, regulations and/or voluntary agreements. Most tobacco and nicotine control measures can be categorised as follows:

- Category Bans: including regulations that ban the sale, import, possession, or use of certain product categories, including entire bans on New Category or novel products;
- Place: including regulations restricting consumption in private and public spaces (e.g. public place smoking or vaping bans, including restaurants and bars);
- Product: including regulations on the use of or testing for ingredients, product design and attributes (e.g. tar/ nicotine / carbon monoxide ceilings, format restrictions, filter bans); flavours bans (including menthol); nicotine levels and low nicotine cigarettes; product safety (e.g. reduced cigarette ignition propensity standards); product disclosure (e.g. ingredients and emissions) and environmental impact (e.g. Extended Producer Responsibility requirements for cigarette filters or biodegradable filter requirements);
- Packaging and labelling: including regulations on health warnings, dissuasive packaging, and other government-mandated messages; restrictions on the use of certain descriptors and brand names; requirements on pack shape, size, weight and colour; and mandatory plain packaging;
- Advertising, promotion and sponsorship: including partial or total bans on advertising, promotions, corporate communications and sponsorship, and online and direct engagement communication;
- Purchase: including regulations on where the products are sold, such as type of outlet (e.g. supermarkets, online and vending machines), radius or distance restrictions (e.g. 300 meters from a school), online sales bans, regulation regarding how they are sold and displayed (e.g. above the counter or under the counter) and minimum purchase age and increases thereto, including generational bans;
- Price: including regulations that have implications on prices and margins (e.g. excise taxes, minimum prices and import/export duties); and
- Responsibility: including regulations introducing Extended Producer Responsibility schemes on cigarette manufacturers to cover the cost to clean up cigarette waste (Single Use Plastics Directive (EU) 2019/904) and equipment-related cost sharing obligations to fight illicit trade (Article 15.7 of EU Tobacco Products Directive 2014).

The Group believes that further tobacco control and nicotine regulation (including regulation for both nicotine and non-nicotine Herbal Heated Products) is expected over the medium term in many of the Group's markets. Irresponsible behaviour or marketing practices of competitors (for example where there is a lack of appropriate regulation) or actions contrary to the regulations in certain markets, may cause reputational harm to the industry as a whole and may result in additional regulation or bans. Further, there is pressure on governments from international organisations and agencies, tobacco control NGOs, influential national regulators and the private sector (including philanthropists, pharmaceutical and security technology companies and social justice groups) to pursue regulatory policies and implement tobacco or nicotine product-related regulation which limit the commercial viability of tobacco and nicotine products or prohibit products completely. Regulators may be lacking in understanding of New Categories products and their role in tobacco harm reduction due to their novelty. These factors can lead to a lack of adequate or existing regulatory regimes or clear and appropriate product classifications.

In addition, the Group may fail to implement the right level of control measures or to maintain adequate standards of compliance with regulatory measures. For example, the Group's marketing activities may fail to comply with the relevant law and regulations or with the Group's International Marketing Principles.

Insufficient information, instruction and training in the relevant areas and a lack of knowledge of the existence and/or requirements of relevant regulations including tobacco and nicotine as well as other relevant regulations, such as battery or environmental regulation, or a failure to monitor, assess and implement the requirements of new or modified regulation, may increase these risks.
There may also be negative and disproportionate societal responses to consumer abuse or misuse of tobacco and/or nicotine products (e.g. in New Categories) or to certain categories of products.

With respect to Modern Oral and other New Categories, regulatory frameworks currently follow divergent approaches. In certain markets, where there is an absence of adequate regulation, actions of irresponsible competitors may cause reputational harm to the category and result in outright bans or adverse regulation. In markets where there is a likelihood of tobacco, pharmaceutical or food regulatory classification, the category can be at risk of severe regulation or total ban.

The Group believes that there is a risk Tobacco Heated Products could be regulated as traditional tobacco products, driven by the decision of WHO's 8th Conference of Parties to the Framework Convention on Tobacco Control, and Reports from the WHO submitted to the COP10, to apply tobacco control regulations to these products including recommendations for plain packaging and flavour bans.

Other Information

Group Risk Factors
Continued

Legal, Regulatory and Compliance Risks continued

Risk: Exposure to, the enactment of, proposals for, or expectations of regulation that significantly impairs the Group's ability to communicate, differentiate, market or launch its products and/or the lack of appropriate regulation for New Categories continued

Description continued

Traditional Tobacco Products

With respect to tobacco and combustible products, many of the measures outlined in the FCTC have been or are in the process of being implemented through national legislation in many markets in which the Group operates, including recommendations for plain packaging and flavour bans (e.g. menthol bans – in effect in the European Union since 20 May 2020). In April 2022, the U.S. Food and Drug Administration (FDA) announced its intention to ban menthol as a characterising flavour in cigarettes in the U.S. In December 2023, the Biden administration released its latest unified agenda, indicating that the administration expects to issue the final menthol rule in March 2024; however, the administration is not bound by this timeline. In December 2022, the sale of all tobacco products with characterising flavours (including menthol) other than tobacco were banned in the state of California, which is the most populated state in the U.S. Subsequent to the FDA announcement on 28 April 2022 of a proposed product standard to prohibit menthol as a characterising flavour in cigarettes, the FDA formally submitted the final product standard to the Office of Management and Budget on 18 October 2023.

Further, various national or international regulatory regimes may seek to require the reduction of nicotine levels in tobacco products. In March 2018, the FDA published its Advanced Notice of Proposed Rulemaking titled "Tobacco Product Standard for Nicotine Level of Combusted Cigarettes" and invited interested parties to submit comments on, among other issues, maximum nicotine limits and whether any maximum nicotine level should apply to combustible tobacco products. In October 2019, the FDA withdrew the Advanced Notice of Proposed Rulemaking without explanation. With the Spring Unified Agenda (released June 2022), the FDA announced a plan to move forward with the proposed rule reducing nicotine levels in cigarettes, indicating that the rule would be published in December 2023, which did not occur. With the Fall Unified Agenda (released December 2023), the agenda anticipates a proposed nicotine rule in April 2024; however, the FDA has clarified that there is no precise date on which is plans to issue the proposed rule.

In the U.S., subject to the FDA's enforcement discretion, manufacturers of all tobacco products, which include nicotine derived from tobacco or any other source, must submit information to the FDA seeking formal marketing authorisation of such products.

Although the new government from New Zealand recently announced that the relevant act would be repealed, New Zealand had approved legislation banning anyone born after 1 January 2009 from buying tobacco products, imposing a retail limit of 600 retailers across New Zealand from 1 July 2024, and implement a nicotine limit in smoked tobacco to 0.8 mg/g (~5% of current levels) from 1 April 2025. In the meantime, the UK government has announced its intention to impose a similar generational ban preventing people born after 1 January 2009 from buying tobacco products, including THPs, when they come of age (18 years old). The consultation process is ongoing and a regulatory impact assessment should be published in due course.

Finally, the preparations of a revised EU Tobacco Products Directive are progressing, with estimated adoption in 2026. The current Directive might be replaced with a directly applicable regulation, following which transposition in Member States would no longer be required. It is anticipated that this new regulation could include plain packaging for combustibles and/or greater regulation of tobacco and nicotine product ingredients (including Herbal Heated Products).

New Categories

With respect to New Categories, regulation is still evolving and frameworks for regulation and taxation vary from country to country. Some regulators have applied or are considering applying combustible tobacco products' restrictive regulatory framework to New Categories. Some jurisdictions have banned or are considering banning certain New Category products altogether.

Following reports of individuals experiencing acute respiratory injury in suspected association with vaping certain e-liquids (EVALI) and reports regarding vaping youth usage in the U.S., stricter regulatory views gained momentum and were publicly supported by the World Health Organization (WHO) which continues to call on countries to ban or regulate novel nicotine products as tobacco. The U.S., the EU and Canada are playing a leading role across all identified regulatory risks, including: flavour regulations, advertising restrictions and nicotine limits, among others.

On 12 October 2021, the FDA issued its first vapour product Marketing Granted Orders (MGOs) for tobacco flavoured Vuse Solo and Vuse Solo power units. On the same date, Reynolds American companies received Marketing Denial Orders (MDOs) for the flavoured (non-menthol and non-tobacco) Vuse Solo products. Reynolds American companies filed an internal agency appeal against these MDOs, which remains pending. On 12 May 2022, the FDA issued MGOs for Vuse Vibe and Vuse Ciro power units and "Original" (tobacco) flavours. On the same date, Reynolds American companies received MDOs for the flavoured (non-menthol and non-tobacco) Vuse Vibe and Ciro products. Reynolds American companies filed an internal agency appeal against these MDOs, which remains pending. On 24 January 2023, the FDA issued MDOs for Vuse Vibe and Ciro menthol products. Reynolds American companies filed a court challenge in the U.S. Court of Appeals for the Fifth Circuit. On 17 March 2023, the FDA issued MDOs for Vuse Solo menthol products. Reynolds American companies filed a court challenge in the Fifth Circuit. The Court issued a stay in these cases pending a decision on the merits of Reynolds' legal challenges to the underlying MDOs. On 12 October 2023, the FDA issued MDOs for Vuse Alto menthol and mixed-berry products. Reynolds American companies immediately filed a lawsuit in the U.S. Court of Appeals for the Fifth Circuit challenging these MDOs and obtained a temporary administrative stay pending resolution of Reynolds' motion for stay pending judicial review, which was filed on 20 October 2023. Briefing on the motion continues. Vuse Alto tobacco flavours remain under FDA review.

The Group's Velo products remain on the market in the U.S., again pending FDA decisions on their marketing authorisations, and there can be no assurance these will be granted. If the FDA denies a marketing authorisation then the relevant product(s) would need to be withdrawn from the market (unless a court or the FDA intervenes).

Beyond Nicotine

As the Group also looks to Beyond Nicotine products including CBD and cannabis (in connection with its investments in Organigram, Sanity Group and Charlotte's Web), it may be subject to additional regulation and these products might not be scalable on a global basis given varying degrees of regulation.

Please refer to the discussion of tobacco and nicotine regulatory regimes under which the Group's businesses operate set out from page 375.

Impact

Existing and future regulatory measures impacting one or more New Categories and/or Beyond Nicotine and/or traditional tobacco products could adversely affect volume, revenue and profits, as a result of: restrictions on the Group's ability to sell and differentiate its products or brands, leverage price, innovate, make scientific claims, compete in future product categories and make new market entries; regulations (e.g. pharma or food) or total bans of tobacco and/or New Categories products in certain markets; reduced margins due to increased operating costs; impediments to building or maintaining brand equity; and restrictions on the Group's ability to deliver, market and sell existing or new products responding to consumers' preferences. In addition, new (and changes to existing) regulation could lead to greater complexity, as well as higher production and compliance costs.

As an example, through the acquisition of Reynolds American Inc., the Group acquired the Newport brand, the leading menthol cigarette brand in the U.S., the Group's largest single market. The sales of Newport, together with the other menthol brands of the Group's operating subsidiaries, represent a significant portion of the Group's total net sales. Any action by the FDA or any other governmental authority banning or materially restricting the use of menthol in tobacco products (such as the proposed FDA ban on menthol cigarettes) could have a significant negative impact on sales volumes which would, in turn, have an adverse effect on the results of operations and financial position of the Group.

Regulations can also have an adverse impact on the Group's ability to compete within the legitimate tobacco, nicotine or New Categories industry and with illicit traders or legal operators exploiting legal and regulatory loop holes. Regulations could also lead to reduced consumer acceptability of new product specifications, leading to consumers seeking alternatives in illicit markets, especially where enforcement is lacking, such as in the case of the increase in illicit single-use devices in the U.S. market.

Unclear or inadequate regulations can lead to legal uncertainty, impacting the Group's position in the marketplace.

In the specific case of New Categories, our corporate harm reduction ambition, including of New Categories revenue of £5 billion by 2025 and 50 million consumers of Non-Combustible products by 2030 could be at risk if stricter regulatory views are imposed at a global scale, or if appropriate regulation is lacking or there is a lack of acceptance of tobacco harm reduction as a tobacco control policy (preventing a balanced regulatory framework for New Categories). Any action by the FDA or any government authority restricting the use of New Category products could also have an adverse effect on the operation and financial position of the Group and the possible failure of the Group's harm reduction objective and loss of confidence in the Group's ESG performance.

As a reflection of the real or perceived impact of stricter regulation in our business, the Group's share price has also experienced, and could in the future experience, shocks upon the announcement, expectation or enactment of restrictive regulation. All these effects may have an adverse effect on the Group's results of operations and financial conditions and cause the Group to fail to deliver on its strategic growth plans.

In addition, considering the significant number of regulations that may apply to the Group's businesses across the world, the Group is and may in the future be subject to claims for breach of such regulations. Government authorities (such as the FDA), organisations or even individuals may allege that our marketing activities do not comply with the relevant law s and regulations, or with our International Marketing Principles. As such, the Group could be subject to liability and costs associated with civil and criminal actions as well as regulatory sanctions, fines and penalties brought in connection with these allegations. Even when proven untrue, there are often financial costs and reputational impacts in defending against such claims and allegations (including potential adverse impact on the treatment by the FDA of the Group 's PMTAs in the U.S.). Each of these results may in turn have an adverse effect on the Group's results of operations and financial condition and cause the Group to fail to deliver on its strategic growth plans.

Other Information

Group Risk Factors
Continued

Legal, Regulatory and Compliance Risks continued

Risk: Adverse implications of EU legislation on single-use plastics that will result in on-pack environmental warnings and financial implications relating to the Extended Producer Responsibility (EPR)

Description

The EU adopted a Directive on single-use plastics in July 2019 (the "SUP Directive") which, among other products, targets tobacco products with filters containing plastic. The Cellulose Acetate in our filters is defined as a single-use plastic under the Directive and, as such, the Directive will have an impact on the Group's cigarettes, filters for other tobacco products and consumables for THPs.

Under the SUP Directive, the Group will be subject to (and in some cases already is subject to) Extended Producer Responsibility ("EPR") schemes, requiring the Group to cover the costs of collecting, transporting, treating and cleaning-up of filters containing plastic. The SUP Directive also imposes on tobacco manufacturers the obligation to finance consumer awareness campaigns and to place environmental markings on packs of products with filters containing plastic.

Member States had to transpose the SUP Directive into national law by 3 July 2021, with an implementation deadline of 5 January 2023 for EPR schemes. In practice, most Member States are late on transposition and implementation, with the practical consequence that EPR schemes will go live with several months delays on average. The European Commission is also late in its issuance of guidelines on the criteria for the costs of cleaning up litter, which should have been issued prior to the anticipated implementation deadline for EPR schemes. This introduces further difficulties and uncertainty in the design and setting-up of EPR schemes. When transposing the SUP Directive into national law, EU member states could decide to expand the scope of EPR systems under their respective national laws, which may expose the Group to additional regulations and financial obligations. This is the case in France, where EPR implementation has already occurred with an expansion of the scope to include non-plastic filters for RYO products. Although Sweden's government has abandoned plans to extend its national EPR system to Snus and Modern Oral pouches, other markets are still at risk of extension, such as in Spain (tobacco manufacturers would be mandated to financially contribute to the cost of cleaning of parts of the general sewage system), the Czech Republic (tobacco manufacturers would be mandated to contribute to the cost of managing household waste costs), and Poland and Romania (manufacturers' financial contribution would also cover paper filters, although they are not plastic items). Proposed regulations are still being discussed in these countries.

It is noted that there is a growing level of scrutiny on the use of single-use plastic across the world and a number of other markets in which the Group operates are considering ways to restrict (or ban) the use of filters made of plastic and/or introduce EPR schemes covering other plastic elements in our products beyond filters for traditional products and/or New Categories products.

Impact

The financial implications of existing and future EPR schemes will increase administrative burdens and operating costs and may have an adverse effect on the Group's results of operations and financial condition and cause the Group to fail to deliver on its strategic growth plans. If significant space is appropriated on the packaging of some of the Group's products, this may also be an impediment to maintaining or building brand equity of the Group's products which may, in turn, have a negative impact on the Group's sales volume. Failure to deliver appropriate EPR schemes may lead to imposition of the schemes by the local authorities at a higher cost to the Group, adversely impacting the Group's results of operations, financial condition and reputation.

Risk: Exposure to litigation, regulatory action or criminal investigations on tobacco, nicotine, New Categories and other issues

Description

The Group is involved in litigation related to its tobacco and nicotine products, including legal, regulatory and patent actions, proceedings and claims, brought against it in a number of jurisdictions. Claims brought against the Group may be based on personal injury (both individual claims and class actions), economic loss arising from the treatment of smoking and health-related diseases (such as medical recoupment claims brought by local governments), patent infringement (please refer to the risk factor under "Product pipeline, commercialisation and Intellectual Property risks, Exposure to risks associated with intellectual property rights, including the failure to identify, protect and prevent infringement of the Group's intellectual property rights and potential infringement of, or the failure to retain licences to use, third-party intellectual property rights" below), negligence, strict tort liability, design defect, failure to warn, fraud, misrepresentation, deceptive/unfair trade practices, conspiracy, medical monitoring and violations of antitrust/racketeering laws. Sustainability-related litigation and regulatory action may also be brought against the Group.

Certain actions, such as those in the U.S. and Canada, involve claims in the tens or hundreds of billions of pounds sterling. The Group is also involved in proceedings that are not directly related to its tobacco and nicotine products, including proceedings based on environmental pollution claims.

Additional legal and regulatory actions and investigations, proceedings and claims may be brought against the Group in the future.

Impact

The Group's consolidated results of operations and financial position could be materially affected by any unfavourable outcome of certain pending or future litigation. The Group could be exposed to substantial liability, which may take the form of ongoing payments, such as is the case with the State Settlement Agreements in the U.S. that require substantial ongoing payments by Group subsidiary, RJRT. Whether successful or not, the costs of the Group's involvement in litigation could materially increase due to costs associated with bringing proceedings and defending claims, which may also cause operational and strategic disruption by diverting management time away from business matters. Liabilities and costs in connection with litigation could result in bankruptcy of one or more Group entities, for example, following a judgement in Canada, certain of the Group's Canadian subsidiaries filed for protection under the CCAA. Any negative publicity resulting from these claims may also adversely affect the Group's reputation.

The occurrence of any of the above effects could in turn have an adverse effect on the Group's results of operations and financial condition and cause the Group to fail to deliver on its strategic growth plans.

Please refer to note 31 on page 286 in the Notes on the Accounts for details of contingent liabilities applicable to the Group.

Risk: Significant and/or unexpected increases or structural changes in tobacco and nicotine-related taxes

Description

Tobacco and nicotine products are subject to high levels of taxation, including excise taxes, sales taxes, import duties and levies in most markets in which the Group operates. In many of these markets, taxes are generally increasing, but the rate of increase varies between markets and between different types of tobacco and nicotine products. Increases in, or the introduction of new, tobacco and nicotine-related taxes may be caused by a number of factors, including fiscal pressures, health policy objectives and increased lobbying pressure from anti-tobacco advocates.

With respect to New Categories, although a common framework for regulation and taxation has yet to emerge, the manufacture, sale, packaging and advertising of such products are increasingly being regulated and taxed.

Impact

Significant or unexpected increases in, or the introduction of new, tobacco-related taxes or minimum retail selling prices, changes in relative tax rates for different tobacco and nicotine products or adjustments to excise have in the past resulted, and may in the future result, in the need for the Group to absorb such tax increases due to limits in its ability to increase prices, an alteration in the sales mix in favour of value-for-money brands or products, or growth in illicit trade, each of which could impact pricing, sales volume and profit for the Group's products. Significant or unexpected increases of tobacco-related taxes could also impact the Group's ability to deliver the corporate purpose of harm reduction.

Risk: Failure to comply with health and safety and environmental laws

Description

The Group is subject to a variety of laws, regulations and operational standards relating to health and safety and the environment.

The Group may fail to assess certain risks and implement the right level of control measures or to maintain adequate standards of health and safety or environmental compliance, which could cause injury, ill health , disability or loss of life to employees, contractors or members of the public, or harm to the natural environment and local communities in which the Group operates. As a result of the outcomes of the COP26, further future regulation is anticipated as governments look to meet their climate change ambitions.

Insufficient information, instruction and training in the relevant areas and a lack of knowledge of the existence and/or requirements of relevant regulations, or a failure to monitor, assess and implement the requirements of new or modified legislation, may increase these risks.

Impact

Any failure by the Group to comply with applicable health and safety or environmental laws, or the exposure to the consequences of a perceived failure, could result in business disruption, reputational damage, difficulties in recruiting and retaining staff, increased insurance costs, consequential losses, the obligation to install or upgrade costly pollution control equipment, loss of value of the Group's assets, remedial costs and damages, fines and penalties as well as civil or criminal liability. Each of these results could in turn adversely impact the Group's results of operations and financial condition and cause the Group to fail to deliver on its strategic growth plans.

Risk: Exposure to unfavourable tax rulings

Description

The Group is subject to tax laws in a variety of jurisdictions. The Group's interpretation and application of the tax laws could differ from those of the relevant tax authority, which may subject the Group to claims for breach of such laws, including for late or incorrect filings or for misinterpretation of rules. Tax authorities in a variety of jurisdictions, such as the Netherlands and Russia, have assessed, and may in the future assess, the Group for historical tax claims, including interest and penalties, arising from disputed areas of tax law. The Group is currently party to tax disputes in a number of jurisdictions, some of which involve claims for amounts in the hundreds of millions of pounds sterling.

Please refer to note 31 on page 286 in the Notes on the Accounts for details of contingent liabilities applicable to the Group.

Impact

The Group's failure to comply with the relevant tax authority's interpretation and application of the tax laws could result in significant financial and legal penalties, including the payment of additional taxes, fines and interest in the event of an unfavourable ruling by a tax authority in a disputed area, as well as the payment of dispute costs. Disruption to the business could occur as a result of management's time being diverted away from business matters. Each of these results could negatively affect the Group's results of operations and financial condition and cause the Group to fail to deliver on its strategic growth plans.

Risk: Unexpected legislative changes to corporate income tax laws

Description

The Group is subject to corporate income tax laws in the jurisdictions in which it operates. These laws frequently change on a prospective or retroactive basis.

Impact

Legislative changes to corporate income tax laws and regulations may have an adverse impact on the Group's corporate income tax liabilities and may lead to a material increase of the Group's overall tax rate. This could, in turn, negatively affect the Group's results of operations and financial condition and cause the Group to fail to deliver on its strategic growth plans.

Other Information

Group Risk Factors
Continued

Legal, Regulatory and Compliance Risks continued

Risk: Exposure to potential liability under competition or antitrust laws

Description

According to the Group's internal estimates, the Group is a market leader by volume and/or value in certain categories in a number of countries in which it operates and/or is one of a small number of tobacco and/or New Categories companies in certain other markets in which it operates. The Group has had antitrust infringement decisions imposed against it in the past and is subject to ongoing investigations (please refer to note 31 on page 286 in the Notes on the Accounts for details of contingent liabilities applicable to the Group). The Group may fail to comply with competition or antitrust laws and may be subject to investigation and/or litigation for alleged abuse of its position in markets in which it has significant market share or for alleged collusion/anti-competitive arrangements with other market participants. Competition/antitrust laws continue to evolve globally with increasingly aggressive enforcement.

Impact

Failure by the Group to comply with competition or antitrust laws and investigations (and/or litigation) for violation of such laws may result in significant legal liability, fines, penalties and/or damages actions; criminal sanctions against the Group, its officers and employees; increased costs, prohibitions on conduct of the Group's business; forced changes in business practices, forced divestment of brands and businesses (or parts of businesses) to competitors or other buyers; director disqualifications; commercial agreements being held void; and operational and strategic disruption (including by diverting management time away from business matters).
The Group may face increased public scrutiny and the investigation or imposition of sanctions by antitrust regulation agencies and/or courts for violations of competition regimes which may subject the Group to reputational damage and loss of goodwill, including negative perceptions of the Group's governance and our ESG credentials.

The occurrence of any of the above effects could in turn have an adverse effect on the Group's results of operations and financial condition and cause the Group to fail to deliver on its strategic growth plans.

Risk: Failure to establish and maintain adequate controls and procedures to comply with applicable securities, corporate governance and compliance regulations

Description

The Group's operations are subject to a range of rules and regulations around the world. These include U.S. securities, corporate governance and compliance laws and regulations, such as the Sarbanes-Oxley Act of 2002 and the U.S. Foreign Corrupt Practices Act of 1977, and expanding ESG reporting and disclosure requirements which apply to the Group's worldwide activities. While the Group continuously seeks to improve its systems of internal controls and to remedy any weaknesses identified, there can be no assurance that the policies and procedures will be followed at all times or effectively detect and prevent violations of applicable laws. In addition, the Group is subject to increasingly stringent reporting obligations under UK corporate reporting regulations.

Impact

The increased scope and complexity of applicable regulations to which the Group is subject may lead to higher costs for compliance. Failure to comply with laws and regulations may result in significant legal liability, fines, penalties, class action suits and/or damages actions, criminal sanctions against the Group, its officers and employees, and damage to the Group's reputation. Non-compliance with such regulations could also lead to a loss of the Group's listing on one or more stock exchanges or a loss of investor confidence with a subsequent reduction in share price.

Risk: Lack of external recognition and acceptance of the foundational science and inability to effectively communicate to stakeholders about the potential health impact of our New Category products.

Description

Scientific evidence to support the harm reduction potential of New Category products is essential for demonstrating and communicating the risk reduction potential of these products to adult smokers. BAT conducts rigorous science to demonstrate the potential reduced risk outcomes when smokers switch to New Category products, and in the longer-term, epidemiological data will be required to demonstrate the health impact at population levels. Consumer expectations and the rapid pace of innovation necessitate the evolution of the product portfolio, which requires the Group to regularly re-assess and update the associated scientific evidence base.

Long-term epidemiological data requires decades to acquire. Therefore, the scientific data available today is by necessity shorter-term data that provides a strong indication of the reduced-risk potential of New Category products relative to cigarettes. In terms of the wider tobacco harm reduction strategy, there is a risk that the long-term health impact of New Category products is not fully understood at this time. There is also a risk of failure to communicate the scientific findings in a timely or effective manner. Furthermore, there are challenges on the choice of standards, controls and/or experimental design and methodology used for demonstrating the robustness of scientific research, together with regulation limiting risk communication to consumers.

Impact

Inability to fully demonstrate and communicate the tobacco harm reduction abilities of New Category products in a timely manner may lead to greater regulatory restrictions or outright bans, market share reduction, fines and penalties, reputational damage, and inability to sustain our quality growth and sustainability strategy. These potential impacts could cause the Group to fail to deliver on its strategic growth plans and objectives.

Risk: Insufficient product stewardship and failure to comply with product regulations

Description

We are subject to risks of safety incidents in pre-market testing or in market due to, for example, a lack of due caution and appropriate response paid to pre-market product data, or toxicology information, inaccurate and unreliable information from suppliers and/or compromise of data or other information through cybersecurity attacks.

The interpretation and application of regulations concerning the Group's products, such as the Tobacco and Related Products Directive (TPD2), may be subject to debate and uncertainty. This includes uncertainty over product classifications and restrictions on advertising. In particular, with respect to the developing category of New Categories, which has grown in size and complexity in a relatively short period of time, a consensus framework for the interpretation and application of existing regulation has yet to emerge.

The continuously changing and evolving landscape of regulation concerning the Group's products contributes to the uncertainty surrounding interpretation and application and creates a risk that the Group may misinterpret or fail to comply with developing regulations in the various jurisdictions in which it operates, or becomes subject to enforcement actions from regulators. With the continuous changing of product cycle plans and expansion to new markets and innovations, there is a risk that such changes and launches fail to comply with the relevant regulations, including pre-approval and/or pre-registration requirements. For example, some governments have intentionally banned or are seeking to ban novel tobacco products and products containing nicotine, while others would need to amend their existing legislation to permit their sale. Even in countries where the sale of such products is currently permitted, some governments have adopted, or are seeking to adopt, bans on New Categories or restrictions on certain flavours.

Impact

The significant number of emerging regulations and the uncertainty surrounding their interpretation and application may subject the Group to claims for breach of such regulations. Financial costs of such enforcement actions include financial penalties, product recalls and litigation costs, and entail a significant risk of adverse publicity and damage to the Group's reputation and goodwill. In cases of consumer injury or fatality due to a consumer product safety issue, this could also cause significant Group reputational damage, leading to a negative impact on stakeholder confidence, including consumers, retailers, investors, and regulatory and public health organisations.

Risk: Failure to uphold high standards of corporate behaviour, including through unintended or malicious breach of anti-bribery and anti-corruption and other anti-financial crime laws

Description

The Group is subject to various anti-corruption laws and regulations and other anti-financial crime laws including but not limited to those relating to tax evasion, money laundering, terrorist financing and bribery (Anti-Corruption Laws, including the UK Proceeds of Crime Acts (POCA)). All employees of BAT, its subsidiaries and joint ventures which it controls are expected to uphold a high standard of corporate behaviour and comply with the Group Standards of Business Conduct (SoBC) which includes a requirement to comply with Anti-Corruption Laws. Employees, associates, suppliers, distributors and agents are prohibited from engaging in improper conduct to obtain or retain business or to improperly influence (directly or indirectly) a person working in an official capacity to decide in the Group's favour. The Group's employees, contractors and service providers may fail to comply with our SoBC and/or may violate applicable Anti-Corruption Laws.

From time to time, the Group investigates, and becomes aware of governmental authorities' investigations into, allegations of misconduct, including allegations of corruption at Group companies. Some of these allegations are currently being investigated. The Group cooperates with the authorities where appropriate. Please refer to note 24 on page 272 in the Notes on the Accounts.

Please refer to note 31 on page 286 in the Notes on the Accounts for details of contingent liabilities applicable to the Group.

Impact

Failure of the Group to comply with anti-corruption laws and regulations and other anti-financial crime laws, or to deploy and maintain robust internal policies, procedures and controls may and have resulted in significant fines and penalties (reducing the Group's ability to reinvest in the future), a share price impact, criminal and/or civil sanctions against the Group and its officers and employees, increased costs, prohibitions or other limitations or requirements (e.g. compliance requirements) on the conduct of the Group's business and reputational harm (including negative perceptions of the Group's governance and our ESG credentials), and may subject the Group to claims for breach of such regulations.

The occurrence of any of the above effects could in turn have an adverse effect on the Group's results of operations and financial condition and cause the Group to fail to deliver on its strategic growth plans. Even when proven untrue, there are often financial costs, time demands and reputational impacts associated with investigating and defending against such claims.

Other Information

Group Risk Factors
Continued

Legal, Regulatory and Compliance Risks continued

Risk: Imposition of sanctions under sanctions regimes or similar international, regional or national measures

Description

National, international and supra-national sanctions regimes or similar international, regional or national measures are complex and dynamic and may affect territories in which the Group operates or third parties with which it may have commercial relationships. There may be unintended or malicious breaches of sanctions due to inappropriate or negligent behaviour by BAT employees, contractors, customers, suppliers or service providers.

Operations in countries and territories subject to sanctions expose the Group to the risk of significant financial costs and disruption in operations that may be difficult or impossible to predict or avoid or the activities could become commercially and/or operationally unviable. In particular, the Group has operations in Cuba, which is subject to various sanctions in the United States.

From time to time, the Group investigates, and becomes aware of governmental authorities' investigations into, allegations of misconduct, including alleged breaches of sanctions at Group companies. Some of these allegations are currently being investigated. The Group cooperates with the authorities, where appropriate.

In 2023, the Group reached settlement agreements with the DOJ and OFAC in the United States related to breaches of sanctions related to North Korea, which resulted in the imposition of fines against the Group totalling US$635 million. Sanctions can be imposed quickly with the possibility of further territories the Group operates in becoming subject to sanctions at short notice.

National, international and supra-national sanctions regimes may also affect third parties with which the Group has commercial relationships, e.g. through their banks (including possible risk aversion to being associated with a sanctioned territory), and could lead to supply and payment chain disruptions.

Please refer to note 31 on page 286 in the Notes on the Accounts for details of contingent liabilities applicable to the Group.

Impact

As a result of the limitations imposed by sanctions, it may become commercially and/or operationally unviable for the Group and/or its critical business partners to operate in certain territories or execute transactions related to them and the Group may be required to exit existing operations in such territories. The Group may also experience difficulty in sourcing materials or importing products, repatriating currency from a sanctioned country and finding financial institutions willing to transact with it, any of which may expose the Group to increased costs. In addition, the costs of complying with sanctions may increase as a result of new, or changes to existing, sanctions regimes.

In addition to the settlement agreements reached by the Group with the DOJ and OFAC in the United States, as detailed above, any future failure of the Group to comply with sanctions regimes or similar international, regional, national or supra-national measures, or to deploy and maintain robust internal policies, procedures and controls, could result in additional fines and penalties (reducing the Group's ability to reinvest in the future), a share price impact, criminal and/or civil sanctions against the Group and its officers and employees, increased costs, prohibitions or other limitations or requirements (e.g. compliance requirements) on the conduct of the Group's business, reputational harm (including negative perceptions of the Group's governance or our ESG credentials), and damage to commercial or banking relationships, and may subject the Group to claims for breach of such regimes or measures. Reputational harm (including negative perceptions of the Group's governance and our ESG credentials) may result regardless of whether the Group complies with imposed sanctions.

The occurrence of any of the above effects could in turn have an adverse effect on the Group's results of operations and financial condition and cause the Group to fail to deliver on its strategic growth plans. Even when proven untrue, there are often financial costs, time demands and reputational impacts associated with investigating and defending against such claims.

Risk: Failure to uphold New Categories marketing practices

Description

The regulatory landscape is constantly evolving with marketing practices being different in key New Categories markets. The Group's marketing activities may be found to be, or alleged (including in the media) to be, non-compliant with laws and regulations, or with the International Marketing Principles (IMPs) on the marketing and sale of tobacco and nicotine products to consumers such as age verification measures. On-line activities can also be found to be, or alleged to be, aimed at consumers in a country where such activities are not permitted.

Impact

The Group is and may in the future be subject to claims for breach of marketing practices. In particular, national authorities (such as the FDA), organisations or even individuals may allege that our marketing activities do not comply with the relevant laws and regulations, or with our IMPs. As such, the Group could be subject to liability and costs as well as regulatory sanctions, fines and penalties brought in connection with these allegations. Even when proven untrue, there are often financial costs and reputational impacts in defending against such claims and allegations.

Future breaches may lead to a loss of investor confidence in ESG performance and inability to meet our responsible marketing focus area if our IMPs are not followed, impacting our corporate purpose of delivering harm reduction.

Risk: Loss or misuse of personal data through a failure to comply with the European General Data Protection Regulation, the UK Data Protection Act 2018, e-Privacy Laws and other privacy legislation governing the processing of personal data.

Description

Personal data is a subset of data (which is likely to be confidential) which attracts different risks and treatment under applicable law. Breaches of data privacy laws include misuse of information which may not be confidential in nature. These include, for example, unsolicited marketing calls to a publicly available number, or using an individual's personal data in a way which was not authorised or in a way that the individual did not reasonably expect through technologies such as online tracking or monitoring.

Various privacy laws, including the European General Data Protection Regulation (GDPR), UK Data Protection Act 2018 (UKDPA) and e-Privacy Directive, including EU and UK Regulatory guidances (e-Privacy Laws), govern the way in which organisations (such as employees, contractors, service provider colleagues and other authorised persons) handle individuals' personal data including how such organisations, including the Group, track or monitor their online behaviour.

Unintended or malicious breaches of data privacy laws may occur through inappropriate or negligent behaviour by BAT employees, contractors, service providers or others.

Depending on the risk to the individuals concerned, such breaches of data privacy laws (including mass personal data unavailability) could trigger a formal notification to a local data protection supervisory authority. This, in turn, could subject Group companies to not only regulatory scrutiny but also individual claims or even class action suits; and

ePrivacy Laws state that any misuse of consumer personal data or lack of transparency provided to consumers on how we use their data or track their online behaviours are subject to regulatory scrutiny.

Legal requirements relating to the collection, storage, handling, and transfer of personal data continue to evolve. Following the entry into force of the GDPR in May 2018, other jurisdictions in which the Group operates have enacted similar local legislation such as the California Consumer Privacy Act U.S. and the "LGPD" in Brazil which further increases the risks surrounding the processing of personal data especially in the consumer space. As part of the Group's digital transformation, initiatives, in particular related to New Categories, could further increase these risks as the expectation is that the exposure to consumer data volumes will increase as well. With the emergence of AI technologies, these risks (particularly, personal data misuse in the context of automated decision making by leveraging AI) may even be exacerbated.

Impact

Failure to comply with existing or future e-Privacy Laws and privacy legislation governing the processing of personal data may adversely impact the Group's results of operations and financial condition.

Loss or unlawful use of personal data may result in civil or criminal legal liability and prosecution by enforcement bodies, which may subject the Group to the imposition of material fines (currently up to 4% of Group worldwide turnover in the context of the EU GDPR and/or the UK Data Protection Act) and/or penalties and/or claims and costs associated with defending these claims (which could include class action suits brought by consumers). The Group's officers and employees may also be subject to personal criminal sanctions in certain jurisdictions.

Reputational damage could also potentially cause significant harm to the Group, including negative perceptions of the Group's governance and our ESG credentials.

Relevant data protection supervisory authority could also order certain Group legal entities to cease processing activities, which could result in a significant operational disruption. Regulatory interest may also prompt interest from other compliance authorities/ governments, leading to further regulation or proceedings.

The occurrence of any of the above effects could in turn have an adverse effect on the Group's results of operations and financial condition and cause the Group to fail to deliver on its strategic growth plans.

Other Information

Group Risk Factors
Continued

Economic and Financial Risks

Risk: Foreign exchange rate exposures

Description

The Group's reporting currency is the pound sterling. The Group is exposed to the risk of fluctuations in exchange rates affecting the translation of net assets and earned profits of overseas subsidiaries into the Group's reporting currency. These translational exposures are not normally hedged.

Exposures also arise from the foreign currency denominated trading transactions undertaken by subsidiaries and dividend flows. Where not offset by opposing flows, these exposures are generally hedged according to internal policies, but hedging of exposure to certain currencies might not be possible due to exchange controls, limited currency availability or prohibitive costs, and errors in hedging may occur. Monetary policy divergence in relation to interest rates between key markets may also increase these risks.

Impact

During periods of exchange rate volatility, the impact of exchange rates on the Group's results of operations and financial condition can be significant. Fluctuations in exchange rates of key currencies against the pound sterling may result in volatility in the Group's reported earnings per share, cash flow and balance sheet. Furthermore, the dividend paid by the Group may be impacted if the payout ratio is not adjusted. Differences in translation between earnings and net debt may also affect key ratios used by credit rating agencies, which may have an adverse effect on the Group's credit ratings.

In addition, volatility and/or increased costs in the Group's business due to transactional foreign exchange rate exposures may adversely affect operating margins and profitability and attempts to increase prices to offset such increases could adversely impact sales volumes.

The increased volatility observed in recent years in commodity and hydrocarbon prices has contributed to additional volatility of exchange rates, impacting the financial performance of the Group's subsidiaries. The global dynamic backdrop of monetary tightening, inflation cycle and economic performance may also increase the exchange rate risk in short term.

Risk: Inability to obtain price increases and exposure to risks from excessive price increases and value chain erosion

Description

Annual price increases by the Group are among the key drivers in increasing market profitability. However, the Group has in the past been, and may in the future be, unable to obtain such price increases as a result of increased regulation; increased competition from illicit trade; stretched consumer affordability arising from deteriorating political and economic conditions and rising prices; sharp increases or changes in excise structures; and competitors' pricing.

As the New Categories market continues to develop, the Group may face erosion in the value chain for New Categories through lower market prices, excise taxes, high retail trade margins or high production costs that make New Categories less competitive versus combustible tobacco products. As an example, excise on Tobacco Heated Products in Japan increased and aligned closer to FMC following a five-year (2018-2022) phased excise plan. This led to a decrease in our profitability in Japan.

In addition, the Group faces the risk that price increases it has conducted in the past, and may conduct in the future, may be excessive and not find adequate adult tobacco consumer acceptance.

Impact

If the Group is unable to obtain price increases or is adversely affected by impacts of excessive price increases, it may be unable to achieve its strategic growth metrics, have fewer funds to invest in growth opportunities, and, in the case of excessive price increases, be faced with quicker reductions in sales volumes than anticipated due to accelerated market decline, down-trading (switching to a cheaper brand) and increased illicit trade. These in turn impact the Group's market share, results of operations and financial condition and cause the Group to fail to deliver on its strategic growth plans.

In addition, erosion in the value chain for New Categories could have a negative impact on the Group's sales volume or pricing for these products. High excise could dampen demand for New Categories or result in lower profit margins. Lower market prices, high retail trade margins or increases in production costs could also negatively impact profit margins or lead to uncompetitive pricing.

Risk: Effects of declining consumption of legitimate tobacco products and a tough competitive environment

Description

Evidence of market contraction and the growth of illicit trade of tobacco products is apparent in several key global markets in which the Group operates. This decline is due to multiple factors, including increases in excise taxes leading to continuous above-inflation price rises, changes in the regulatory environment, the continuing difficult economic environment in many countries impacting consumers' disposable incomes, the increase in the trade of illicit tobacco products, rising health concerns, a decline in the social acceptability of smoking and an increase in New Category uptake.

The Group competes based on the strength of its strategic brand portfolio, product quality and taste, brand recognition, brand loyalty, taste, innovation, packaging, service, marketing, advertising and price. The Group is subject to highly competitive environments in all aspects of its business, and its competitive position can be significantly influenced by the prevailing economic climate, consumers' disposable income, regulation, competitors' introduction of lower-price or innovative products, higher tobacco product taxes, higher absolute prices, governmental action to increase minimum wages, employment costs, interest rates and increase in raw material costs.

Furthermore, the Group is subject to substantial payment obligations under the State Settlement Agreements, which adversely affect the ability of the Group to compete in the U.S. with manufacturers of deep-discount cigarettes that are not subject to such substantial obligations.

Impact

Any future decline in the demand for legitimate tobacco products could have an adverse effect on the Group's results of operations and financial conditions and cause the Group to fail to deliver on its strategic growth plans.

In a tough competitive environment, factors such as market size reduction, customer down-trading, illicit trade and competitors aggressively taking market share through price re-positioning or price wars generally reduce the overall profit pool of the market and may impact delivery of the Group's profits. This may also lead to a decline in sales volume, loss of market share, impact delivery of the Group's ESG agenda, erosion of its portfolio mix and reduction of funds available for investment in growth opportunities.

Risk: Funding, liquidity and interest rate risks

Description

The Group cannot be certain that it will have access to bank financing or to the debt and equity capital markets at all times and is therefore subject to funding and liquidity risks. In addition, the Group's access to funding may be affected by restrictive covenants to which it is subject under some of its credit facilities. Furthermore, failure to appropriately engage with investors' and lenders' sustainability criteria and concerns may impact BAT's credit ratings, access to funding, or may result in an increase in the cost of funding.

The Group is also exposed to increases in interest rates in connection with both existing floating rate debt and future debt refinancings. Recently, after an extended period with historically low interest rates, interest rates have increased substantially and may further increase in the future.

Furthermore, the Group operates in several markets closely regulated by governmental bodies that intervene in foreign exchange markets by imposing limitations on the ability to transfer local currency into foreign currency and introducing other currency controls that expose cash balances to devaluation risks or that increase costs to obtain hard currency. As a result, the Group's operational entities in these markets may be restricted from using End Market cash resources to pay for imported goods, dividend remittances, interest payments and royalties. The inability to access End Market cash resources in certain markets contributes to the Group's funding and liquidity risks.

Compliance with sanctions and the restrictive policies of banks to facilitate transactions that are sanctions sensitive, can also restrict the ability to transfer and use cash that is sanctions sensitive. Anti-money laundering legislation can lead to additional restrictions relating to the payment and receipt of funds for both BAT as well as its business partners.

In addition, the Group's further development into the cannabis sector may lead to inaccessible proceeds from this activity, and such activity may expose the Group to further regulatory and legal risks due to different local and international laws. The Group may also face reputation and compliance issues due to various levels of acceptance of the cannabis sector by stakeholders which may restrict bank and/or investor access.

Impact

Adverse developments in the Group's funding, liquidity and interest rate environment may lead to shortages of cash and cash equivalents needed to operate the Group's business and to refinance its existing debt. Inability to fund the business under the Group's current capital structure, failure to access funding and foreign exchange or increases in interest rates may also have an adverse effect on the Group's credit rating, which would in turn result in further increased funding costs and may require the Group to issue equity or seek new sources of capital. Although the Group currently benefits from investment grade ratings from Moody's, S&P and Fitch in 2022, S&P revised its outlook from stable to negative and maintained this outlook for 2023 as well. Any downgrade of the Group's credit ratings or loss of investment grade status could materially increase the Group's financing costs. Non-compliance with the Group's covenants under certain credit facilities could lead to an acceleration of its debt.

All these factors may have material adverse effects on the Group's results of operations and financial conditions and cause the Group to fail to deliver on its strategic growth plans. These conditions could also lead to underperforming bond prices and increased yields.

In the case of funding or liquidity constraints, the Group may also suffer reputational damage due to its perceived failure to manage the financial risk profile of its business, which may result in an erosion of shareholder value reflected in an underperforming share price, and/or underperforming bond prices and higher yields. In addition, the Group's ability to finance strategic opportunities or respond to threats may be impacted by limited access to funds.

Other Information

Group Risk Factors
Continued

Economic and Financial Risks continued

Risk: Failure to achieve growth through mergers, acquisitions, joint ventures, investments and other transactions

Description

The Group's growth strategy includes a combination of organic growth as well as mergers, acquisitions, joint ventures and investments. The Group may be unable to acquire or invest in attractive businesses on favourable terms and may inappropriately value or otherwise fail to identify or capitalise on growth opportunities. The Group may not be able to deliver strategic objectives and revenue improvements from business combinations, successfully integrate businesses it acquires or establishes, or obtain appropriate regulatory approvals for business combinations. Risks from integration of businesses also include the risk that the integration may divert the Group's focus and resources from its other strategic goals. Furthermore, transactions may include risks associated with an unpredictable regulatory landscape, such as bans or more restrictive regulations which come into force after the acquisition.

Additionally, the Group could be exposed to financial, legal or reputational risks if it fails to appropriately consider and address any compliance, antitrust or sustainability aspects of a transaction or planned transaction. Further, the Group has certain uncapped indemnification obligations in connection with divestitures and could incur similar obligations in the future.

Impact

Any of the foregoing risks could result in increased costs, decreased revenues or a loss of opportunities and have an adverse effect on the Group's results of operations and financial condition, and in the case of a breach of compliance, product regulation or antitrust regulation, could lead to reputational damage, fines and potentially criminal sanctions and an adverse impact on the Group's sustainability priorities. This may impact the Group's ability to compete in the long-term.

Inability to execute planned divestments, or poorly executed divestments, may not deliver fair value, or may result in loss of potential sale proceeds resulting in fewer resources to drive quality growth or meet other corporate targets.

The Group may become liable for claims arising in respect of conduct prior to any merger or acquisition of businesses if deemed to be a successor to the liabilities of the acquired company or indemnification claims relating to divestitures, and any resulting adverse judgment against the Group may adversely affect its results of operations and financial condition and cause the Group to fail to deliver on its strategic growth plans.

Please refer to note 31 on page 286 in the Notes on the Accounts for details of contingent liabilities applicable to the Group.

Risk: Unforeseen underperformance in key global markets

Description

A substantial majority of the Group's profit from operations is based on its operations in certain key markets, including the U.S. A number of these markets are declining for a variety of factors, including price increases, restrictions on advertising and promotions, smoking prevention campaigns, increased pressure from anti-tobacco groups, accelerated migration to reduced risk products, increasing prevalence of non-compliant New Categories competitors, and private businesses adopting policies that prohibit or restrict, or are intended to discourage, smoking and tobacco use.

Economic and political factors affecting the Group's key markets include the prevailing economic climate, governmental austerity measures, levels of employment, inflation, governmental action to increase minimum wages, employment costs, interest rates, raw material costs, consumer confidence and consumer pricing.

Impact

Any change to the economic and political factors in any of the key markets in which the Group operates could affect consumer behaviour and have an impact on the Group's results of operations and financial condition and cause the Group to fail to deliver on its strategic growth plans.

Risk: Increases in net liabilities under the Group's retirement benefit schemes

Description

The Group currently maintains and contributes to defined benefit pension plans and other post-retirement benefit plans that cover various categories of employees and retirees worldwide. The Group's obligations to make contributions under these arrangements may increase in the case of increases in pension liabilities, decreases in asset returns, salary increases, inflation, decreases in long-term interest rates, increases in life expectancies, changes in population trends and other actuarial assumptions.

Please refer to the information under the caption 'Retirement benefit schemes' on page 217 and to note 15 on page 248 in the Notes on the Accounts for details of the Group's retirement benefit schemes.

Impact

Higher contributions to the Group's retirement benefit schemes could have an adverse impact on the Group's results of operations, financial condition and ability to raise funds and cause the Group to fail to deliver on its strategic growth plans.

Product pipeline, commercialisation and Intellectual Property risks

Risk: Inability to predict consumers' changing behaviours and launch innovative products that offer adult tobacco and nicotine consumers meaningful value-added differentiation

Description

The Group focuses its research and development activities on both creating new products, including New Categories and Beyond Nicotine products, whilst maintaining and improving the quality of its existing products. In a competitive market, the Group believes that innovation is key to growth. The Group considers that one of its key challenges in the medium and long term is to provide adult tobacco and nicotine consumers with high-quality products that take into account their changing preferences and expectations, including those in relation to sustainability, while complying with evolving regulation.

Predicting consumers' changing needs and behaviours across categories is a critical requirement for the Group's development. The Group may fail to predict consumers' changing needs and behaviours across categories and fail to deliver its strategy effectively.

The Group continues to develop and roll-out its New Categories portfolio which requires significant investment. The Group may be unsuccessful in developing and launching innovative products or maintaining and improving the quality of existing products across Combustibles, New Categories and Beyond Nicotine that offer consumers meaningful value-added differentiation. The Group may fail to keep pace with innovation in its sector or changes in consumer expectations and is also exposed to the risk of an inability to build a sufficiently strong brand equity through social media and other digital tools to successfully compete. There are potential bans and restrictions in key markets on using social media to advertise and communicate. Competitors may be more successful in predicting changing consumer behaviour or better able to develop and roll-out consumer-relevant products and may be able to do so more quickly and at a lower cost.

In addition, the Group devotes considerable resources to the research and development of innovative products that may have the potential to reduce the risks of smoking-related diseases. The complex nature of research and development programmes necessary to satisfy emerging regulatory and scientific requirements creates a substantial risk that these programmes will fail to demonstrate health-related claims regarding New Categories and Beyond Nicotine or to achieve adult tobacco consumer, regulatory and scientific acceptance.

Furthermore, the regulatory environment impacting Non-Combustible tobacco products, Vapour products and other non-tobacco nicotine products and Beyond Nicotine, including classification of products for regulatory and excise purposes, is still developing and it cannot be predicted whether regulations will permit the marketing of such products in any given market in the future. Categorisation as medicines, for example, and restrictions on advertising could stifle innovation, increase complexity and costs and significantly undermine the commercial viability of these products. Alternatively, categorisation of any New Categories, as tobacco products for instance, could result in the application of onerous regulation, which could further stifle uptake.

Impact

The inability to timely develop and roll out innovations or products in line with consumer demand, including any failure to predict changes in adult tobacco consumer and societal behaviour and expectations and to fill gaps in the product portfolio, as well as the risk of poor product quality, could lead to missed opportunities, under- or over-supply, loss of competitive advantage, unrecoverable costs and/or the erosion of the Group's consumer base or brand equity.

Restrictions on packaging and labelling or on promotion and advertising could impact the Group's ability to communicate its innovations and product differences to adult tobacco consumers, leading to unsuccessful product launches. An inability to provide robust scientific results sufficient to substantiate health-related product claims poses a significant threat to the ability to launch innovative products and comply with emerging regulatory and legal regimes.

The occurrence of any of the above effects could in turn have an adverse effect on the Group's results of operations and financial condition and cause the Group to fail to deliver on its strategic growth plans.

In addition, there may be loss of investors' confidence in ESG performance, including failure to deliver our corporate purpose of harm reduction.

Other Information

Group Risk Factors
Continued

Product pipeline, commercialisation and Intellectual Property risks continued

Risk: Exposure to risks associated with intellectual property rights, including the failure to identify, protect and prevent infringement of the Group's intellectual property rights and potential infringement of, or the failure to retain licences to use, third-party intellectual property rights

Description

The Group relies on trademarks, patents, registered designs, copyrights, domain names and trade secrets. The brand names under which the Group's products are sold are key assets of its business. The protection and maintenance of these brand names and of the reputation of these brands is important to the Group's success. Protection of intellectual property rights is also important in connection with the Group's innovative products, including New Categories.

The Group is exposed to the risk of infringements of its intellectual property rights by third parties due to limitations in judicial protection, failure to identify, protect and register its innovations and/or inadequate enforceability of these rights in some markets in which the Group operates.

The Group currently is involved in various patent infringement litigation proceedings in several countries related to the Group's New Categories inventions and products. This litigation involves both claims by the Group that competitors are infringing the Group's patents and claims by competitors that the Group is infringing competitors' patents. From time to time, the Group settles such litigation. In February 2024, a Group subsidiary entered into a settlement agreement with an indirect wholly-owned subsidiary of Philip Morris International Inc. (PMI). Pursuant to this agreement (the Settlement Agreement), among other things, both parties agreed to take all actions, as necessary, to dismiss certain pending legal proceedings between the parties and certain of their affiliates concerning certain Vapour and Heated Products (HP) with prejudice and without admission of liability, to fully and finally discharge without admission of liability any injunctions granted to the parties and their respective affiliates in such proceedings, and mutually release each other from presently known and past, present and future claims arising out of or relating to, among other things, such proceedings, the infringement of the patents at issue in the proceedings and certain intellectual property rights relating to certain products existing on or before a specified date. The parties have also agreed to covenants not to sue, on a perpetual, royalty-bearing or royalty-free basis, as the case may be, in respect of patents associated with certain existing or changed Vapour or HP products. The parties have also agreed to covenants not to sue on a perpetual, royalty free basis and in respect of, among other things, the manufacture of products, accessories, replacement parts and upgrade parts, or their respective components, and research and development of such products, accessories and parts, or their respective components. Please refer to note 31 on page 286 in the Notes on the Accounts for details of contingent liabilities relating to patent litigation and related settlements applicable to the Group.

Some brands and trademarks under which the Group's products are sold are licensed for a fixed period of time in certain markets. If any of these licences are terminated or not renewed after the end of the applicable term, the Group would no longer have the right to use, and to sell products under, those brand(s) and trademark(s).

In addition, as third party rights are not always identifiable, the Group may be subject to claims for infringement of third party intellectual property rights.

Impact

Any erosion in the value of the Group's brands or innovations, or failure to obtain or maintain adequate protection of intellectual property rights for any reason, or the loss of brands, trademarks or other intellectual property rights under licence to Group companies, may have a material adverse effect on the Group's market share, results of operations and financial condition. Any inability to appropriately protect the Group's products and key innovations will also limit its growth and affect competitiveness and return on innovation investment.

Any infringement of third-party intellectual property rights could result in interim or final injunctions, product recalls, legal liability and the payment of damages, any of which may disrupt operations, negatively impact the Group's reputation and have an adverse effect on its results of operations and financial condition and cause the Group to fail to deliver on its strategic growth plan. Litigation (even where successful) results in an intensive use of resources and management time leading to potential disruption. In addition, although intellectual property-related settlements, such as the Settlement Agreement, allow the Group to focus on developing innovative product solutions, they could also have an adverse effect on the Group's results of operations and financial condition. For example, the payment of royalties would create higher costs for the Group, whereas the grant of licenses and/or covenants not to sue could result in a competitive advantage of the Group's competitors which, in turn, could result in lower demand for the Group's own products and cause the Group to fail to deliver on its strategic growth plans.

Regulation of the Group's Business

Overview

The Group's businesses operate under increasingly stringent regulatory regimes worldwide. The tobacco and nicotine industry is one of the most highly regulated in the world, with manufacturers required to comply with a variety of different regulatory regimes across the globe. The Group continues to respond to these regimes and engages with governments and other regulatory bodies to find solutions to changing regulatory landscapes. Restrictions on the manufacture, sale, marketing and packaging of tobacco and non-tobacco nicotine products are in place in nearly all countries and markets.

Regulation can typically be categorised as follows:

Category Bans: including regulations that ban the sale, import, possession, or use of certain product categories, including entire bans on New Category or novel products;

Place: including regulations restricting smoking and vaping in private, public and work places (e.g. public place smoking and vaping bans);

Product: including regulations on the use of ingredients, product design and attributes (e.g. machine measured ceilings regarding tar, nicotine and carbon monoxide yields for cigarettes and restrictions on nicotine strength for non-tobacco nicotine products, as well as restrictions on flavours); product safety regulations (e.g. the EU's General Product Safety Directive (2001/95/EC), electrical safety regulations and reduced ignition propensity standards for cigarettes); regulatory product disclosure requirements (e.g. in relation to ingredients and emissions); and bans of entire product categories (e.g. bans on the manufacture, import, and sale, of Non-Combustible tobacco products or non-tobacco nicotine products);

Packaging and labelling: including regulations on health warnings and other government-mandated messages (e.g. in respect of content, positioning, size and rotation); restrictions on the use of certain descriptors and brand names; requirements on pack shape, size, weight and colour and plain packaging of products; and marking requirements relating to single-use plastics;

Sponsorship, promotion and advertising: including partial or total bans on tobacco and/or non-tobacco nicotine product advertising, marketing, promotions and sponsorship and restrictions on brand sharing and stretching (the latter refers to the creation of an association between a tobacco product and a non-tobacco product by the use of tobacco branding on the non-tobacco product);

Purchase: including regulations on the manner in which tobacco products and non-tobacco nicotine products are sold, such as type of outlet (e.g. supermarkets and vending machines); how they are sold (e.g. above-the-counter versus beneath-the-counter); and restrictions on adult purchase (e.g. generational bans which preclude the sale and supply of tobacco products to individuals born after a certain year);

Price: including regulations which have implications for the prices that manufacturers can charge for their tobacco products and non-tobacco nicotine products (e.g. excise taxes and minimum prices); and

Responsibility: including regulations introducing Extended Producer Responsibility schemes on cigarette manufacturers to cover the cost to clean up cigarette waste (see Single Use Plastics Directive (EU) 2019/904); and equipment-related cost sharing obligations to fight illicit trade (see Article 15.7 of EU Tobacco Products Directive 2014).

In addition, the Group operates a number of global policies, and in some cases its businesses have also entered into voluntary agreements, which may impose more onerous obligations or standards than those imposed by local legislation.

World Health Organization Framework Convention on Tobacco Control

Much of the recent development in regulation at a global level has been driven by the World Health Organization Framework Convention on Tobacco Control (FCTC). The FCTC came into force in 2005 and contains provisions aimed at, among other things, reducing tobacco consumption and exposure to tobacco smoke. The original treaty is supplemented by one protocol (on illicit trade) and guidelines on the implementation of several of the treaty obligations. While the guidelines are not legally binding, they provide recommendations for Parties on the implementation of specific provisions of the FCTC.

To date, the FCTC has been ratified by 183 countries, not including the U.S. The FCTC has led to increased efforts by tobacco control advocates and public health organisations to encourage governments to further regulate the tobacco and nicotine industry. As national regulations increasingly reflect global influences, the scope of areas regulated will likely further expand. The guidelines on advertising, promotion, and sponsorship, for example, seek to broaden the definition of tobacco advertising to include product display, the use of vending machines as well as the design of the pack itself. Where adopted by the Parties, a number of the measures referred to in the guidelines may result in either additional costs for the tobacco industry or restrictions on a manufacturer's ability to differentiate its products and communicate those differences to adult smokers. The World Health Organization and other public health organisations have recently focused their efforts on attempting to widen the scope of the FCTC beyond the text of the Convention to include Reduced Risk Products (RRPs[1]), including adopting a decision that tobacco heated products (THPs) should be subject to the FCTC; recommending that governments adopt stricter regulations of RRPs; and applying existing cigarette regulations to RRPs. All engagement efforts of the tobacco industry are being closely monitored by these organisations and are often (incorrectly) labelled as unlawful industry interference. In turn, this has an impact on the willingness of Parties to engage with the industry, which limits the opportunity for the industry to provide input into the development of regulation.

The last biannual session of the Conference of the Parties to the FCTC took place in November 2021 (COP9). Due to the virtual nature of the meetings most substantive discussions have however been postponed to COP10, which was scheduled to take place in November 2023 in Panama, but was postponed until February 2024 due to internal security and organisational concerns in Panama (save for a de minimis budget focused meeting).

EU Tobacco and Related Products Directive (2014/40/EU)

A revised EU Tobacco and Related Products Directive (2014/40/EU) (TPD2) was adopted in April 2014 for transposition into EU Member States' law by May 2016. Provisions of TPD2 include: large combined pictorial and textual health warnings covering 65% of the two main pack surfaces (front and back) for cigarettes; restrictions on pack shape and size, including minimum pack sizes of 20 sticks for cigarettes and 30g for roll-your-own and make-your-own tobacco; ingredients reporting; "tracking and tracing" requirements; and for e-cigarettes: nicotine limits, pre-market notification, ingredients reporting and advertising restrictions. Among other things, TPD2 bans the sale of cigarettes and roll-your-own tobacco with a characterising flavour. Enforcement of the ban in relation to menthol-flavoured cigarettes was delayed until May 2020, but those products are now also banned (see "Regulation of Ingredients, Including Flavoured Tobacco Products and RRPs").

TPD2 seeks to ensure that the same rules apply in the same way across all EU Member States, but it leaves open to individual Member States the possibility of further standardising the packaging of tobacco products and applying other requirements not regulated by TPD2, provided these are compatible with EU law.

Other Information

Regulation of the Group's Business
Continued

The European Commission published its Article 28 report on the application of TPD2 on 20 May 2021. The report concluded that TPD2 helped decrease smoking rates and tobacco use but that more efforts are needed, particularly in relation to enforcement at national level and new market developments, such as novel tobacco products. Currently, the preparations of a revised EU Tobacco Products Directive are progressing, with estimated adoption in 2025. TPD2 might be replaced with a directly applicable regulation instead of a directive, following which transposition in Member States would no longer be required. It is anticipated that this new directive or regulation will include the following provisions: plain packaging for combustibles; more regulation of ingredients, including a ban on the use of any menthol for combustibles at the EU level; regulation of flavours and nicotine-free liquids for e-cigarettes at the EU level; more stringent advertising restrictions for e-cigarettes; stricter regulations for THPs; and regulation of oral nicotine pouches at the EU level.

Single-Use Plastics

The Single Use Plastics Directive (EU) 2019/904 (the SUP Directive) entered into force on 2 July 2019. The SUP Directive requires that EU Member States introduce Extended Producer Responsibility (EPR) schemes covering the cost to clean up litter and the application of on-pack marking requirements for tobacco product filters. Member States had to transpose the SUP Directive into national law by 3 July 2021, with an implementation deadline of 3 July 2021 for pack marking requirements and of 5 January 2023 for EPR schemes. Member States are late on transposition and implementation, with the practical consequence that EPR schemes will go live with several months delays on average. The European Commission is also late in its issuance of guidelines on the criteria for the costs of cleaning up litter, which should have been issued prior to the anticipated implementation deadline for EPR schemes. France was the only Member State to not await the 5 January 2023 deadline and, in December 2020 and February 2021, it implemented EPR schemes for, among others, cigarette manufacturers. These regulations are currently being challenged before the French Council of State. Other governments have passed or are considering similar legislation including Canada, Russia, South Korea, and various levels of government in the U.S.

Restrictions on Smoking in Private, Public and Workplaces

The Group operates in a number of markets which have in place restrictions on smoking and vaping in certain private, public and workplaces, including restaurants, bars, beaches and nightclubs. While these restrictions vary in scope, extensive public and workplace smoking and vaping bans have been enacted in markets including the U.S., Canada, the UK, France, Spain, New Zealand and Australia. Restrictions on smoking and vaping in private have also been adopted or proposed, and typically take the form of prohibitions on smoking and vaping in cars or residential homes when children are present, and/or smoking and vaping within a certain distance from specified public places (such as primary schools).

Regulation of Ingredients, Including Flavoured Tobacco Products

A number of countries have restricted or banned, and others are seeking to restrict or ban, the use of certain flavours or ingredients in cigarettes and other tobacco products, on the basis that such flavoured products are alleged to appeal disproportionally to minors, act as a catalyst for young people taking up smoking and/or increase the addictiveness or toxicity of the relevant product. To the extent flavours are permitted, this is often restricted to tobacco and/or menthol flavours only.

Such restrictions have been enacted in markets including the U.S., Canada, Australia and Türkiye. An ingredients ban in Brazil, which would ban the use of certain ingredients with flavouring or aromatic properties, including menthol, is not currently in force due to ongoing legal challenges. TPD2 similarly bans in the EU the manufacture and sale of cigarettes and roll-your-own tobacco with a characterising flavour other than tobacco. A number of the above regulations are subject to ongoing legal challenges (see "The U.S." for information pertaining to the regulation of menthol in that market).

Regulators in Europe are increasingly seeking to ban the use of flavours in Vapour products and other RRPs, except for non-tobacco and menthol (see "Reduced Risk Products"[1]). For example, Hungary, Finland, the Netherlands, Denmark and Norway have adopted, or are considering adopting, bills banning flavours in Vapour products. BAT is exploring its legal options in relation to these new regulations.

The European Commission has also produced a Commission Delegated Directive (the "Delegated Directive") amending TPD2 to withdraw certain exemptions in respect of THPs. The Delegated Directive, which has now been transposed into national law in a number of Member States, extends the prohibition of tobacco products with a characterising flavour (which currently applies to cigarettes and hand rolling tobacco) to THPs. BAT is challenging the validity of the Delegated Directive in the High Court of Ireland which has determined to refer questions regarding the legality of the Delegated Directive to the Court of Justice of the European Union.

Further legislation on ingredients, both for factory made cigarettes and RRPs[1], is expected. The Conference of Parties to the FCTC tasked a working group to further elaborate the partial guidelines on the regulation of the contents of tobacco products and tobacco product disclosures (see Articles 9 and 10 of the FCTC). The work of this group was suspended in 2018 and an expert group was created to examine the reasons for low implementation of Articles 9 and 10, and related partial guidelines. This expert group presented its report in 2021, but the substantive discussions by the Conference of Parties of this report have been postponed to COP10 (see "World Health Organization Framework Convention on Tobacco Control"). Furthermore, several regulators in EU Member States have also taken action, or are considering taking action, to ban low menthol products, or products using other coolants, from the market. For example, in Belgium, the regulator banned all cigarettes and other tobacco products that include components with cooling and/or alleged analgesic effects.

Plain and Standardised Packaging

Plain (or "standardised") packaging generally refers to a ban on the use of trademarks, logos and colours on packaging other than the use of a single colour and the presentation of brand name and variant in a specified font, size and location(s). The presentation of individual cigarettes may be similarly restricted. Plain packaging is high on the agenda of tobacco control groups, and the non-binding FCTC guidelines recommend that the Parties consider introducing plain packaging.

As of 5 January 2024, 26 countries have implemented plain packaging (including Australia, Belgium, Canada, Denmark, France, Ireland, New Zealand, the Netherlands, Saudi Arabia, Singapore, Türkiye, and the UK), with a further nine countries examining legislation to introduce the measure. Countries, territories and states that are currently considering adopting plain packaging legislation include, but are not limited to, Argentina, India, Ecuador, Panama, Brazil, Chile, Spain and South Africa. Others, such as South Korea and Colombia, are considering implementing increased graphic health warnings. Also, RRPs are increasingly facing plain packaging regulations (see "Reduced Risk Products"[1]). Denmark fully implemented plain packaging for Vapour Products and Heated Products in 2022, followed by Finland in 2023, while legislation introducing plain packaging for Vapour Products is due to come into effect in Norway in 2024. Other countries which already require plain packaging for Heated Products include Canada and Israel.

Product Display Bans at Point of Sale and Licensing Regimes

Product display bans at point of sale and licensing regimes have become relatively commonplace for combustible tobacco products and have been implemented for several years in a number of countries both at national and state levels, including in Norway, Iceland, Finland, New Zealand, Thailand, Canada, Australia, and the UK. The Danish bill (referenced above) also introduced a product display ban for RRPs[1]. A large number of countries, such as Hungary, Finland and Spain, have also sought to restrict the supply of tobacco products, including through the adoption of licensing regimes limiting the number of retail outlets from which it is possible to purchase tobacco products and/or by prohibiting the sale of tobacco products within a certain distance of specified public places.

Illicit Trade

The illegal market for tobacco products is an increasingly important issue for governments and the industry across the world.

Euromonitor International estimates that, in 2021, approximately 350 billion cigarettes (excl. China) were smuggled, manufactured illegally or counterfeited. A number of governments, regulators and organisations have or are considering adopting regulation to support anti-illicit trade activities. Among other forms, such regulation may comprise mandatory "tracking and tracing" requirements, enabling regulators to identify the point at which any seized product left the legal supply chain, security features to combat counterfeiting and inspection and authentication obligations in respect of seized product. The TPD2, for example, requires that all unit packets of tobacco are marked with a unique and irremovable identifier, which when scanned provides various information about that product's route-to-market.

In November 2012, the FCTC Parties adopted the Protocol to Eliminate Illicit Trade in Tobacco Products which includes a raft of supply chain control measures, including the implementation of "tracking and tracing" technologies. The Protocol entered into force on 25 September 2018 and was considered at the first session of the Meeting of the Parties to the Protocol in October 2018. The second session of the Meeting of the Parties to the Protocol took place in November 2021, and the third session is scheduled to take place in 2024 in Panama. As of 8 January 2024, 68 parties, including the EU, have ratified the Protocol.

Reduced-Risk Products[1] ("RRPs")

As the Vapour category has grown in size and complexity in a relatively short period of time, a consensus framework for regulation and taxation has yet to emerge. The TPD2, for example, establishes frameworks for the regulation of novel tobacco products and e-cigarettes, introducing nicotine limits, health warnings requirements, advertising bans and pre-market notification and post-market disclosure obligations. As noted above, the World Health Organization and other public health organisations have recently focused their efforts on attempting to widen the scope of the FCTC beyond the text of the Convention to include RRPs (see "World Health Organization Framework Convention on Tobacco Control").

In countries where the sale of Vapour products is permitted, governments are increasingly seeking to more strictly regulate these products, including by adopting or seeking to adopt bans on vaping in public places, bans or restrictions on flavours or other restrictions such as plain packaging and retail display and advertising bans. A number of governments have also announced plans to restrict the sale of single-use e-cigarettes. Conversely, some governments have expressly banned or are seeking to ban RRPs (such as Hong Kong), while others restrict their sale as medicinal products (such as Australia).

Mexico has issued a series of decrees and more recently a law to ban the importation and sale of vaping products, including e-cigarettes, but legal challenges have been successful as tribunals found the absolute ban to be unconstitutional. Appeals by the government are ongoing.

Also, other RRPs, such as nicotine pouches and THPs, are facing increasing scrutiny by regulators. In countries such as Belgium, Germany, and the Netherlands, regulators have sought to classify oral nicotine pouch products as food stuff, tobacco substitutes or medicinal products and ban these products from the market. The Belgian authorities, for example, first clarified that oral nicotine pouches should not be classified as medicinal products. However, nicotine pouches have now been banned in Belgium as impermissible tobacco substitutes. We expect tobacco-free nicotine pouches to be regulated at a European level as part of the next revision of the Tobacco Products Directive. In Germany and Hungary, THPs have faced being classified in the same way as traditional combustible tobacco products, with the potential consequence of facing the same restrictions and excise categories. However, in 2021, the Administrative Court of Braunschweig (Germany) concluded that THPs are smokeless because they do not involve a combustion process (Judgment of 23 September 2021[2]). The federal German regulator did not appeal this judgment.

Generational Bans

A recent regulatory measure that some countries (such as the United Kingdom, Denmark, New Zealand and Malaysia) have considered or are currently considering involves the prohibition on sales and supply of tobacco and/or nicotine products to persons of a certain age that will follow them throughout their lifetime. This regulatory measure is referred to as a "generational ban" and entails that persons born on or after a certain date would never be able to lawfully be sold tobacco products. Over time, as more and more persons become subject to the ban, the pool of consumers for tobacco products would grow ever smaller. BAT is continuing to monitor this situation and whether other governments will follow suit with similar measures. Although the new government from New Zealand recently announced that the relevant act would be repealed, New Zealand had approved legislation banning anyone born after 1 January 2009 from buying tobacco products, imposing a retail limit of 600 retailers across New Zealand from 1 July 2024, and implement a nicotine limit in smoked tobacco to 0.8 mg/g (~5% of current levels) from 1 April 2025. In the meantime, the UK government has announced its intention to impose a similar generational ban preventing people born after 1 January 2009 from buying tobacco products, including THPs, when they come of age (18 years old). The consultation process is ongoing and a regulatory impact assessment should be published in due course.

The U.S.

Through the Reynolds American Inc. (RAI) subsidiaries, the Group is subject to U.S. federal, state, and local laws and regulations. The Family Smoking Prevention and Tobacco Control Act (FSPTCA), which was enacted in 2009, grants the U.S. Food & Drug Administration (FDA) broad authority over the manufacture, sale, marketing, and packaging of tobacco products but limited the Agency's authority to cigarettes, smokeless tobacco products, cigarette tobacco and roll-your-own tobacco products. Key elements of the FSPTCA include: filing of facility registrations, product listing, constituent testing and ingredient information; obtaining the FDA's clearance for all new products and product modifications; banning all characterising flavours other than tobacco or menthol in cigarettes; establishing "user fees" to fund the FDA's regulation of tobacco products; increasing the health warning size on cigarette packs with the option to introduce pictorial health warnings; implementing good manufacturing practices; revising the labelling and advertising requirements for smokeless tobacco products; and requiring the study of menthol. The U.S. Congress did limit the FDA's authority in two areas, prohibiting it from:

- Banning categories of tobacco products; and
- Requiring the reduction of nicotine yields of a tobacco product to zero.

Other Information

Regulation of the Group's Business
Continued

On 10 May 2016, the FDA issued a final regulation, referred to as the Deeming Rule, deeming all remaining products that are "made or derived from tobacco" to be subject to the FDA's regulatory authority under the FSPTCA. The Deeming Rule became effective as of 8 August 2016, though each requirement of the Deeming Rule had its own compliance date. Such "deemed" tobacco products subject to the FSPTCA include, among others, electronic nicotine delivery systems (including e-cigarettes, e-hookah, e-cigars, vape pens, advanced refillable personal vapourisers, electronic pipes and e-liquids mixed in vape shops), certain dissolvable tobacco products, cigars, and pipe tobacco.

The "grandfathered" (now called "pre-existing products") date under the Final Rule for newly deemed products remained the same as the "grandfathered" date for those tobacco products already subject to the FSPTCA – 15 February 2007 (known as "Pre-Existing Tobacco Products"). Any tobacco product that was not legally marketed as of 15 February 2007 is considered a new tobacco product subject to premarket review by the FDA. The FDA established a compliance policy allowing all newly deemed tobacco products that were on the market as of 8 August 2016 to remain on the market so long as the manufacturer filed a Premarket Tobacco Product Application (PMTA) by a specific deadline (9 September 2020).

In October 2019, R. J. Reynolds Vapour Company filed PMTAs for Vuse Solo. Based upon requirements of the FSPTCA that must be addressed in PMTAs, and the FDA's Guidance regarding the type of evidence required for such applications, the costs of preparing a PMTA are significant. R. J. Reynolds Vapor Company thereafter filed PMTAs for the remaining Vuse products (Vibe, Ciro, and Alto) and the Velo products (pouch and lozenge) by the September 2020 deadline. Certain additional data from ongoing research relevant to the Alto and Velo applications were submitted as amendments to the PMTAs during the FDA review process.

The FDA issued marketing granted orders for the Vuse Solo device and its tobacco ('original') flavour in October 2021, but issued a marketing denial order for Vuse Solo flavours other than menthol (which were not on the market). That denial is being appealed with the FDA. In May 2022, the FDA issued marketing granted orders for tobacco flavoured Vuse Vibe and Ciro but issued a marketing denial order for flavours other than menthol (which were not on the market). R. J. Reynolds Vapor Company has appealed the denials issued for the relevant Vuse Vibe and Ciro products by requesting further Agency review. We have received and are challenging the FDA's marketing denial orders dated January 2023 related to Vibe and Ciro (menthol variants). In October 2023, the FDA issued a marketing denial order for Vuse Alto menthol. We have received court-ordered stays of enforcement of the FDA's denial orders for menthol Vuse Alto, Ciro, and Vibe products, which means these Vuse menthol products can continue to be marketed and sold while the judicial review process continues. There can be no assurance that the Vuse menthol or other flavours appeals will succeed. The Vuse Alto device as well as Vuse Alto Rich Tobacco and Golden Tobacco products remain under the FDA's review. There can be no assurance that that these authorisations will be granted. Similarly, the Group's Velo products remain on the market in the U.S., again pending the FDA's decisions on their premarket tobacco product applications and there can be no assurance these applications will be granted. If the FDA denies a marketing authorisation, then the relevant product(s) would need to be withdrawn from the market (unless a court, or the agency via supervisory review, intervenes).

Legislation granting the FDA authority over synthetic nicotine products (products containing nicotine not "made or derived from tobacco") went into effect in April 2022, which required manufacturers of such products to file PMTAs by a May 2022 deadline.

Comprehensive plan for tobacco and nicotine regulation

On 28 July 2017, the FDA announced its intent to develop a comprehensive plan for tobacco and nicotine regulation that recognises the continuum of risk for nicotine delivery. As part of that plan, the FDA planned to publish an Advance Notice of Proposed Rulemaking (ANPRM) to seek public input regarding the potential health benefits and possible adverse effects of lowering the level of nicotine in combustible cigarettes. The FDA also announced its intent to issue ANPRMs requesting public stakeholder input on the impact of flavours (including menthol) in increased initiation among youth and young adults as well as assisting adult smokers to switch to potentially less harmful forms of nicotine delivery, and the patterns of use and public health impact of premium cigars.

This follows on from the FDA's decision to issue its own preliminary scientific evaluation regarding menthol cigarettes in 2013, which concluded that menthol cigarettes adversely affect initiation, addiction and cessation compared to non-menthol cigarettes. In January 2018, the FDA held a public hearing to obtain input from a broad group of stakeholders on ways to streamline the regulatory process for the issuance of therapeutic claims for nicotine products. In March 2018, the Agency issued three ANPRMs, seeking information on (1) the lowering of nicotine levels to non-addictive or minimally addictive levels, (2) the impact of flavours (including menthol) in increased initiation among youth and young adults as well as assisting adult smokers to switch to potentially less harmful forms of nicotine delivery, and (3) the patterns of use and public health impact of premium cigars. In April 2022, the FDA published a proposed product standard that would ban menthol as a characterising flavour in cigarettes. The FDA accepted public comment on this proposed rule through to August 2022. RAI Services Company submitted a detailed comment to the FDA (available on the U.S. Government's Regulations website) opposing the proposed rule as unsupported by existing scientific evidence and with the potential for negative unintended consequences. In December 2022, the sale of all tobacco products with characterising flavours other than tobacco (including menthol) were banned in the state of California.

Additional regulation

In addition to the ANPRMs on reduced nicotine products and flavours, in April 2019, the FDA issued a proposed rule on the format and content of reports to demonstrate substantial equivalence. This follows on from the FDA's previous statements regarding the development of foundational rules so as to provide clarity and predictability to the tobacco product submission process, including not only substantial equivalence applications but new product applications as well as MRTP applications. In September 2019, the FDA published a proposed rule on the format and content of PMTAs. The final foundational rules for substantial equivalence and PMTAs were published on 5 October 2021 and became effective on 4 November 2021. The FDA has not yet promulgated its proposed rule for MRTP applications.

Under the FSPTCA, for a manufacturer to launch a new tobacco product or modify an existing tobacco product after 22 March 2011, the manufacturer must obtain an order from the FDA authorising the new or modified product to be marketed. Similarly, a manufacturer that introduced a cigarette or smokeless tobacco product between 15 February 2007 and 22 March 2011 was required to file a substantial equivalence report with the FDA demonstrating either (1) that the new or modified product had the same characteristics as a product commercially available as at 15 February 2007, referred to as a predicate product, or (2) if the new or modified product had different characteristics than the predicate product, that it did not raise different questions of public health. A product subject to such report is referred to as a provisional product. A manufacturer may continue to market a provisional product unless and until the FDA issues an order that the provisional product is not substantially equivalent, in which case the FDA could then require the manufacturer to remove the provisional product from the market. Many of the RAI subsidiaries' cigarette and smokeless tobacco products currently on the market are provisional products. In January 2017, the FDA issued its first proposed product standard whereby the Agency would require the reduction, over a three-year period, of the levels of N-nitrosonornicotine (NNN) contained in smokeless tobacco products.

Since issuing this proposal, the Agency has simply stated that it is evaluating submitted comments. The FDA's semi-annual regulatory agenda has not listed the NNN proposal since its publication. Thus, it is not known whether or when this proposed rule will be finalised, and, if adopted, whether the final rule will be the same as or similar to the proposed rule. On 18 December 2017, the FDA accepted for review MRTP applications for six Camel Snus smokeless tobacco products. In 2018, the FDA began its review of these applications, which included facility inspections and a public meeting held 13-14 September 2018 before the Tobacco Product Scientific Advisory Committee to obtain its review and recommendation. These applications were withdrawn in Q4 2022.

On 18 March 2020, the FDA issued a rule mandating the incorporation on cigarettes packages of graphic health warnings. The rule required eleven new textual warnings, each accompanied by a specific graphic image, on the top 50% of the front and back of all cigarette packages, on the left 50% of the front and back of cigarette cartons, and the top 20% of all cigarette advertising, beginning 18 June 2021. On 3 April 2020, RAI subsidiaries R. J. Reynolds Tobacco Company and Santa Fe Natural Tobacco Company, in conjunction with several cigarette manufacturers and retailers, filed a lawsuit seeking to permanently enjoin implementation of the rule. The court, following multiple orders to delay the implementation of the rule, invalidated it as unconstitutional in December 2022. In February 2023, the FDA appealed this decision to U.S. Court of Appeals for the Fifth Circuit. Briefing concluded and oral argument took place on 5 December 2023.

On 6 December 2023, the Biden Administration released the Fall 2023 Unified Agenda. This is an outline of the Administration's upcoming regulatory priorities. As a part of this agenda, the FDA announced a plan to move forward with, among other proposals, a proposed rule reducing nicotine levels in cigarettes to "minimally or non-addictive" levels. The regulatory agenda anticipates a proposed nicotine rule in April 2024; however, the FDA has clarified that there is no precise date on which it plans to issue the proposed rule. The regulatory agenda also anticipates issuance in March 2024 of a final rule to ban menthol as a characterising flavour in cigarettes; however, the administration is not bound by this timeline.

Cigarettes and other tobacco products are subject to substantial taxes in the U.S. All states and the District of Columbia currently impose cigarette excise taxes. Certain city and county governments, such as those of New York City, Philadelphia, and Chicago, also impose substantial excise taxes on cigarettes sold in those jurisdictions. Also, all states and the District of Columbia currently subject smokeless tobacco products to excise taxes. Various states and the District of Columbia impose a tax on Vapour products, such as e-cigarettes, and many other states have proposed taxes on Vapour products. Currently, there is no federal tax on Vapour products.

State and local governments also consider and implement other legislation and regulation regarding the sale of tobacco products. Measures include, among others, limiting or prohibiting the sale of flavours in tobacco products, restricting where tobacco products may be sold and increasing the minimum age to purchase tobacco products.

The Group believes that, as a responsible business, it can contribute through information, ideas and practical steps, to help regulators address the key issues regarding its products, including underage access, illicit trade, product information, product design, involuntary exposure to smoke and the development of potentially less harmful products, while maintaining a competitive market that accommodates the significant percentage of adults who choose to be tobacco consumers. The Group is committed to working with national governments and multilateral organisations and welcomes opportunities to participate in good faith to achieve sensible and balanced regulation of traditional tobacco and potentially RRPs[1].

Notes:

1. 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.
2. Administrative Court Braunschweig - 4th Chamber, case No. 4 A 23/19, British American Tobacco (Germany) GmbH v. Federal Republic of Germany, represented by the Federal Office of Consumer Protection and Food Safety, 23 September 2021.

Other Information

Material Contracts

The Master Settlement Agreement & State Settlement Agreements

In 1998, the major U.S. cigarette manufacturers (including R.J. Reynolds Tobacco Company, Lorillard and Brown & Williamson, businesses which are now part of Reynolds American) entered into the Master Settlement Agreement ("MSA") with attorneys general representing most U.S. states and territories. The MSA imposes a perpetual stream of future payment obligations on the major U.S. cigarette manufacturers. The amounts of money that the participating manufacturers are required to annually contribute are based upon, among other things, the volume of cigarettes sold and market share (based on cigarette shipments in that year).

During 2012, R.J. Reynolds Tobacco Company, various other tobacco manufacturers, 17 states, the District of Columbia and Puerto Rico reached a final agreement related to Reynolds American's 2003 MSA activities, and three more states joined the agreement in 2013. Under this agreement, R.J. Reynolds Tobacco Company has received credits of more than US$1 billion in respect of its Non-Participating Manufacturer ("NPM") Adjustment claims related to the period from 2003 to 2012. These credits have been applied against the company's MSA payments over a period of five years from 2013, subject to, and dependent upon, meeting the various ongoing performance obligations. During 2014, two additional states agreed to settle NPM disputes related to claims for the period 2003 to 2012. R.J. Reynolds Tobacco Company received US$170 million in credits, which have been applied over a five-year period from 2014. During 2015, another state agreed to settle NPM disputes related to claims for the period 2004 to 2014. R.J. Reynolds Tobacco Company received US$285 million in credits, which have been applied over a four-year period from 2016. During 2016, no additional states agreed to settle NPM disputes. During 2017, two more states agreed to settle NPM disputes related to claims for the period 2004 to 2014. R.J. Reynolds Tobacco Company received US$61 million in credits, which have been applied over a five-year period from 2017. During 2018, nine more states agreed to settle NPM disputes related to claims for the period 2004 to 2019, with an option through 2022, subject to certain conditions. R.J. Reynolds Tobacco Company received US$182 million in credits for settled periods through 2017, which have been applied over a five-year period from 2018. Also in 2018, a 10th additional state agreed to settle NPM disputes related to claims for the period 2004 to 2024, subject to certain conditions. R.J. Reynolds Tobacco Company received US$205 million in credits for settled periods through 2017, which have been applied over a five-year period from 2019. In the first quarter of 2020, certain conditions set forth in the 2018 agreements were met for those 10 states. In addition, in August 2020, 24 states, the District of Columbia and Puerto Rico agreed to settle NPM disputes related to claims for the period 2018-2022. In 2022, an additional state settled NPM disputes related to claims for the period 2005 to 2028. It is estimated that R.J. Reynolds Tobacco Company will receive US$130 million in credits for settled periods through 2018, which will be applied over a five-year period from 2022. In 2023, an additional state settled NPM disputes related to claims for the period 2005 to 2029. It is estimated that R.J. Reynolds Tobacco Company will receive a credit of US$29 million for settled periods through 2018, which will be applied over a five-year period from 2024. Credits in respect of future years' payments and the NPM Adjustment claims would be accounted for in the applicable year and will not be treated as adjusting items. Only credits in respect of prior year payments are included as adjusting items.

The BAT Group is subject to substantial payment obligations under the MSA and the state settlement agreements with the states of Mississippi, Florida, Texas and Minnesota (such settlement agreements, collectively "State Settlement Agreements"). Reynolds American Inc.'s operating subsidiaries' expenses and payments under the MSA and the State Settlement Agreements for 2023 amounted to US$2,516 million in respect of settlement expenses and US$2,874 million in respect of settlement cash payments; for 2022 amounted to US$2,951 million in respect of settlement expenses and US$3,129 million in respect of settlement cash payments; for 2021 amounted to US$3,420 million in respect of settlement expenses and US$3,744 million in respect of settlement cash payments; for 2020 amounted to US$3,572 million in respect of settlement expenses and US$2,848 million in respect of settlement cash payments; and for 2019 amounted to US$2,762 million in respect of settlement expenses and US$2,918 million in respect of settlement cash payments.

R.J. Reynolds Tobacco Company divested certain brands to Imperial Tobacco Group (ITG) in 2015. In 2020, R.J. Reynolds Tobacco Company recognised additional expenses, included above, under the State Settlement Agreements in the states of Mississippi, Florida, Texas and Minnesota related to these divested brands. R.J. Reynolds Tobacco Company recognised US$241 million of expense for payment obligations to the state of Florida for the ITG acquired brands from the date of divestiture, 12 June 2015, as a result of an unfavourable judgment. In addition, R.J. Reynolds Tobacco Company recognised US$264 million related to the resolution of claims against it in the states of Texas, Minnesota and Mississippi for payment obligations to those states for the ITG acquired brands from the date of divestiture. R.J. Reynolds Tobacco Company settled certain related claims with Phillip Morris USA under the State Settlement Agreements in the states of Mississippi, Texas and Minnesota for US$8 million. Finally, in June 2022, R.J. Reynolds Tobacco Company settled PM USA's claims relating to the calculation of the base-year net operating profits for the ITG acquired brands for US$37 million.

Reynolds American Inc.: Transfer of Pension Obligations

On 7 June 2022, Reynolds American Inc. entered into a transaction with Metropolitan Tower Life Insurance Company to transfer approximately $1.6 billion of pension obligations through the purchase of annuities for retirees receiving benefit payments from one pension plan and less than a threshold amount per month from another pension plan. The transaction was funded with plan assets and resulted in an increase in the funded status of the retirement plan.

Other Agreements

Settlement Agreement between Nicoventures Trading Limited and Philip Morris Products S.A.

On 1 February 2024, Nicoventures Trading Limited, an indirect, wholly-owned subsidiary of British American Tobacco p.l.c., entered into a settlement agreement with Philip Morris Products S.A., an indirect, wholly-owned subsidiary of Philip Morris International Inc. (the Settlement Agreement).

Pursuant to this Settlement Agreement, among other things, both parties have agreed to take all actions, as necessary, to dismiss with prejudice, subject to certain limited exceptions, certain pending legal proceedings between the parties and their respective affiliates concerning certain Vapour products and Heated Products (HP) (including devices and consumables) without admission of liability, and to fully and finally discharge without admission of liability any injunctions granted to the parties and their respective affiliates in such proceedings. The parties have also agreed to a mutual release of presently known and past, present and future claims arising out of or relating to, among other things, such proceedings, the infringement of the patents at issue in the proceedings and certain intellectual property rights relating to certain products existing on or before a specified date.

Additionally, the parties have agreed to covenants not to sue, on a perpetual, royalty-bearing or royalty-free basis, as the case may be, in respect of patents associated with certain existing or changed Vapour or HP products. The parties have also agreed to covenants not to sue on a perpetual, royalty-free basis in respect of, among other things, the manufacture of products, accessories, replacement parts and upgrade parts, or their respective components, and research and development of such products, accessories, replacement parts, upgrade parts and components. The Settlement Agreement is for a term of eight years from 1 February 2024 and is substantially worldwide in scope.

Significant agreements

Change of Control Provisions as at 31 December 2023

Nature of agreement	Key provisions
The revolving credit facilities agreement, effective 12 March 2020 and 6 March 2023, entered into between the Company, B.A.T. International Finance p.l.c., B.A.T. Netherlands Finance B.V. and B.A.T Capital Corporation (as borrowers and, in the case of the Company, as a guarantor) and HSBC Bank plc (as agent) and certain financial institutions (as lenders), pursuant to which the lenders have agreed to make available to the borrowers £5.4 billion for general corporate purposes (the Facility).	– should a borrower (other than the Company) cease to be a direct or indirect subsidiary of the Company, such borrower shall immediately repay any outstanding advances made to it and shall cease to be a borrower under the Facility; and – where there is a change of control in respect of the Company, the lenders can require all amounts outstanding under the Facility to be repaid.
During 2023, the Group arranged, extended and/or renewed short-term bilateral facilities with core relationship banks for a total amount of £2.7 billion. B.A.T. International Finance p.l.c. is the borrower under these facilities and the Company is the guarantor. As at 31 December 2023, £100 million was drawn on a short-term basis.	– should the borrower cease to be a direct or indirect subsidiary of the Company, the borrower shall immediately repay any outstanding advances made to it under these facilities; and – where there is a change of control in respect of the Company, the lenders can require all amounts outstanding under these facilities to be repaid.
On 25 July 2017, the Company acceded as a guarantor under the indenture of its indirect, wholly-owned subsidiary Reynolds American Inc.. The securities issued under the indenture include approximately US$6.7 billion aggregate principal amount of unsecured Reynolds American Inc. debt securities.	– with respect to each series of debt securities issued under the indenture, upon a change of control event, combined with a credit ratings downgrade of the series to below investment-grade level (such downgrade occurring on any date from the date of the public notice of an arrangement that could result in a change of control event until the end of the 60-day period following public notice of the occurrence of a change of control event), Reynolds American Inc. is obligated to make an offer to repurchase all debt securities from each holder of debt securities. As a guarantor under the indenture, the Company guarantees such payments.
Rules for the awards under the long-term incentive plans 2007 and 2016 (“LTIPs”), Restricted Share Plan (“RSP”), 2019 Deferred Annual Share Bonus Scheme ("DSBS") and 2016 Sharesave Scheme ("Sharesave").	– in the event of a change of control of the Company as a result of a takeover, reconstruction or winding-up of the Company (not being an internal reorganisation), LTIP, RSP, DSBS and Sharesave awards will vest (and in the case of an option, become exercisable for a limited period) based on the period of time that has elapsed since the date of the award and the achievement of the performance conditions (if applicable) at that date (performance conditions are applicable to LTIP only), unless the Remuneration Committee determines this not to be appropriate in the circumstances; and – the rules of the LTIPs, RSP, DSBS and Sharesave allow (as an alternative to early release) that participants may, if permitted, exchange their existing awards for new awards of shares in the acquiring company on a comparable basis.

Other Information

Property, Plant and Equipment

The Group uses a combination of in-house and contract manufacturers to manufacture its products.

BAT-owned manufacturing facilities[1]

	United States	AME	APMEA	Total
Fully integrated manufacturing	1	15	22	38
Other processing sites (including leaf threshing and OTP)	1	9	6	16
Sites manufacturing other products (including Snus, Modern Oral and Liquids)	3	4	—	7
Research and development facilities	2	2	3	7
Total	7	30	31	68

Note:
1. As of 31 December 2023.

The plants and properties owned or leased and operated by the Group's subsidiaries are maintained in good condition and are believed to be suitable and adequate for the Group's present needs.

The technology employed in the Group's factories is sophisticated, especially in the area of cigarette-making and packing where throughputs can reach between 500 and 1,000 packs per minute. The Group can produce many different pack formats (e.g., the number of cigarettes per packet) and configurations (e.g., bevel edge, round corner, international) to suit marketing and consumer requirements. New technology machines are sourced from the leading machinery suppliers to the industry. Close cooperation with these organisations helps the Group support its marketing strategy by driving its product innovations, which are brought to the market on a regular basis.

The Group utilises quality standards, processes and procedures covering the entire end-to-end value chain to help to ensure quality products are provided to its customers and adult tobacco consumers according to the Group's requirements and End Market regulatory requirements.

In 2023, the Group manufactured cigarettes in 38 cigarette factories in 36 countries. These plants and properties are owned or leased and operated by the Group's subsidiaries. The Group's factory outputs and establishments vary significantly in size and production capacity. In line with our corporate commitment to fight climate change, our factories have decarbonisation, water usage and waste optimisation programmes.

Also in 2023, the Group used third-party manufacturers to manufacture the components required, including the devices, related to New Categories. The Group also used third-party manufacturers to supplement the Group's own production facilities in the U.S. and Poland to bottle the liquids used in Vapour products.

For more information on property, plant and equipment, see note 13 in the Notes on the Accounts.

Raw Materials

While the Group does not own tobacco farms or directly employ farmers, it sources tobacco leaf directly from circa 91,000 contracted farmers and third-party suppliers, primarily in emerging markets. We are committed to enhancing the sustainability and viability of our contracted farmers by focusing on improving quality, distributing more resistant hybrid seeds and implementing tailored mechanisation to reduce costs of production and increased yield. We hold our third-party suppliers to similar expectations regarding their farmer contracts. We review our contracts on an annual basis, taking into account Group requirements over the medium term (2-3 years) to ensure stability of demand and supply on production volumes. Our third-party suppliers also conduct annual reviews. The Group also purchases a small amount of tobacco leaf from India via our associate ITC Ltd, where the tobacco is bought over an auction floor. ITC maintains full traceability and monitors farmers to ensure the sustainable provenance of the tobacco procured via the auction floor.

Like any global agricultural commodity, the international price of tobacco fluctuates yearly. This is influenced by various factors including changes in production costs such as labour and agricultural inputs, local inflationary pressures, economic and political conditions, as well as climatic conditions that affect the supply, demand and quality of grown tobacco.

While COVID-19 impacted tobacco supply chains (in 2020 and 2021) across most markets and required process enhancements to minimise transmission risks within communities, prices and availability of tobacco were not significantly impacted. The Group believes there is an adequate supply of tobacco leaf in the world markets to satisfy its current and anticipated production requirements.

We also source a number of other materials required as part of our production requirements, covering areas that include wrapping materials and filters for our combustibles business and liquids and batteries for our New Categories products. We work closely with our suppliers to ensure a robust supply chain, with contingency sourcing in place. Contracts and sourcing agreements are reviewed regularly, to ensure competitive trading terms while recognising that prices may be impacted by external factors that affect our third-party supply partners. COVID-19 has led to some short-term disruption in the supply of certain materials (due to local lockdowns and travel restrictions), yet this has been proactively managed to mitigate the impact.

U.S. Corporate Governance Practices

Principles

In the U.S., ADSs of the Company are listed on the New York Stock Exchange (NYSE). The significant differences between the Company's corporate governance practices as a UK company and those required by NYSE listing standards for U.S. companies are discussed below.

The Company has applied a robust set of board governance principles, which reflect the UK Corporate Governance Code 2018 and its principles-based approach to corporate governance. NYSE rules require U.S. companies to adopt and disclose on their websites corporate governance guidelines. The Company complies with UK requirements, including a statement in this report of how the Company has applied the principles of the UK Corporate Governance Code 2018 and that the Company has complied with the provisions of the UK Corporate Governance Code 2018.

Independence

The Company's Board governance principles require that all Non-Executive Directors be determined by the Board to be independent in character and judgement and free from any business or other relationships that could interfere materially with, or appear to affect, their judgement. The Board also has formal procedures for managing conflicts of interest. The Board has determined that, in its judgement, the Chair of the Board and all of the Non-Executive Directors are independent. In doing so, the Board has taken into consideration the independence requirements outlined in the NYSE's listing standards and considers these to be met by the Chair and all of its Non-Executive Directors.

Committees

The Company has a number of Board Committees that are broadly comparable in purpose and composition to those required by NYSE rules for domestic U.S. companies. For instance, the Company has a Nominations (rather than nominating/corporate governance) Committee and a Remuneration (rather than compensation) Committee. The Company also has an Audit Committee, which NYSE rules require for both U.S. companies and foreign private issuers.

These Committees are composed solely of Non-Executive Directors and, in the case of the Nominations Committee, the Chair of the Board whom the Board has determined to be independent in the manner described above.

Each Board Committee has its own terms of reference, which prescribe the composition, main tasks and requirements of each of the Committees (see the Board Committee reports on pages 154, 159 and 170).

Under U.S. securities laws and the listing standards of the NYSE, the Company is required to have an audit committee that satisfies the requirements of Rule 10A-3 under the Exchange Act and Section 303A.06 of the NYSE Listed Company Manual. The Company's Audit Committee complies with these requirements. The Company's Audit Committee does not have direct responsibility for the appointment, reappointment or removal of the independent auditors. Instead, it follows the UK Companies Act 2006 by making recommendations to the Board on these matters for it to put forward for shareholder approval at the AGM.

One of the NYSE's additional requirements for the audit committee states that at least one member of the audit committee is to have 'accounting or related financial management expertise'. The Board has determined that Holly Keller Koeppel, Véronique Laury and Darrell Thomas possess such expertise and also possess the financial and audit committee experience set forth in both the UK Corporate Governance Code 2018 and SEC rules (see the Audit Committee report on page 159). Holly Keller Koeppel and Darrell Thomas have also each been designated as an Audit Committee financial expert as defined in Item 16.A. of Form 20-F. The Board has also determined that each Audit Committee member meets the financial literacy requirements applicable under NYSE listing standards.

Shareholder Approval of Equity Compensation Plans

The NYSE rules for U.S. companies require that shareholders must be given the opportunity to vote on all equity-compensation plans and material revisions to those plans. The Company complies with UK requirements that are similar to the NYSE rules. The Board, however, does not explicitly take into consideration the NYSE's detailed definition of what are considered 'material revisions'.

Codes of Business Conduct and Ethics

The NYSE rules require U.S. companies to adopt and disclose a code of business conduct and ethics for all directors, officers and employees and promptly disclose any waivers of the code for directors or executive officers. The Group Standards of Business Conduct (the SoBC) described on pages 98 and 99 apply to all staff in the Group, including senior Management and the Board, and satisfy the NYSE requirements. All Group companies have adopted the SoBC (or localised versions). The SoBC also set out the Group's whistleblowing policy, enabling staff, in confidence and anonymously, to raise concerns without fear of reprisal, including concerns regarding questionable accounting or auditing matters. The SoBC is available at bat.com/sobc.

The Company has also adopted a code of ethics for its Chief Executive, Chief Financial Officer, Group Financial Controller and Group Chief Accountant as required by the provisions of Section 406 of the Sarbanes-Oxley Act of 2002 and the rules issued by the SEC. No waivers or exceptions to the Code of Ethics were granted in 2023. The Code of Ethics includes requirements in relation to confidentiality, conflicts of interest and corporate opportunities, and obligations for those senior financial officers to act with honesty and integrity in the performance of their duties and to promote full, fair, accurate, timely and understandable disclosures in all reports and other documents submitted to the SEC, the UK Financial Conduct Authority, and any other regulatory agency.

The Company considers that these codes and policies address the matters specified in the NYSE rules for U.S. companies.

Independent Director Contact

Interested parties may communicate directly with the independent Directors, individually or as a group, by sending written correspondence addressed to the independent Director(s) to the attention of the Company Secretary at the following address: c/o Caroline Ferland, Company Secretary, British American Tobacco p.l.c., Globe House, 4 Temple Place, London WC2R 2PG.

Other Information

Controls and Procedures

Evaluation of Disclosure Controls and Procedures

Disclosure controls and procedures

The Group maintains 'disclosure controls and procedures' (as such term is defined in Exchange Act Rule 13a-15(e)), that are designed to ensure that information required to be disclosed in reports the Group files or submits under the Exchange Act is recorded, processed, summarised and reported within the time periods specified in the SEC rules and forms, and that such information is accumulated and communicated to Management, including the Chief Executive and Interim Finance Director, as appropriate, to allow timely decisions regarding required disclosure.

In designing and evaluating our disclosure controls and procedures, our Management, including the Chief Executive and Interim Finance Director, recognise that any controls and procedures, no matter how well designed and operated, can provide only reasonable, not absolute, assurance that the objectives of the disclosure controls and procedures are met. Due to the inherent limitations in all control systems, no evaluation of controls can provide absolute assurance that all control issues and instances of fraud, if any, within the Group have been detected. The Group's disclosure controls and procedures have been designed to meet, and Management believes that they meet, reasonable assurance standards.

Management, with the participation of the Chief Executive and Interim Finance Director, has evaluated the effectiveness of the Group disclosure controls and procedures pursuant to Exchange Act Rule 13a-15(b) as of the end of the period covered by this annual report. Based on that evaluation, the Chief Executive and Interim Finance Director have concluded that the Group disclosure controls and procedures were effective at a reasonable assurance level.

Management's report on internal control over financial reporting

Management, under the oversight of the Chief Executive and the Interim Finance Director, is responsible for establishing and maintaining adequate internal control over financial reporting for the Group. The Group's internal control over financial reporting consists of processes which are designed to: provide reasonable assurance regarding the reliability of financial reporting and the preparation of the Group's financial statements for external reporting purposes in accordance with IFRS as issued by the IASB and UK-adopted international accounting standards; provide reasonable assurance that receipts and expenditure are made only in accordance with the authorisation of Management; and provide reasonable assurance regarding the prevention or timely detection of any unauthorised acquisition, use or disposal of assets that could have a material effect on the consolidated financial statements.

As required by Section 404 of the Sarbanes-Oxley Act of 2002, Management has assessed the effectiveness of the internal control over financial reporting (as defined in Rules 13(a)-13(f) and 15(d)-15(f) under the U.S. Securities Exchange Act of 1934) based on the updated Internal Control-Integrated Framework issued by the Committee of Sponsoring Organisations of the Treadway Commission (COSO) (2013). Based on that assessment, Management has determined that the Group's internal control over financial reporting was effective as at 31 December 2023.

Any internal control framework, no matter how well designed, has inherent limitations, including the possibility of human error and the circumvention or overriding of controls and procedures and may not prevent or detect misstatements. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions or because the degree of compliance with the policies or procedures may deteriorate.

»KPMG LLP, an independent registered public accounting firm, who also audit the Group's consolidated financial statements, has audited the effectiveness of the Group's internal control over financial reporting as at 31 December 2023, which is included in this document.»

Changes in internal control over financial reporting

During the period covered by this report, there were no changes in the Group's internal control over financial reporting that have materially affected or are reasonably likely to materially affect the effectiveness of internal control over financial reporting.

Statements Regarding Competitive Position

Statements referring to the competitive position of BAT and its subsidiaries are based on the Group's belief and best estimates. In certain cases, such statements and figures rely on a range of sources, including investment analyst reports, independent market surveys, and the Group's own internal assessments of market share.

Directors' Report Information

This Other Information section of the British American Tobacco Annual Report and Form 20-F, which includes Additional Disclosures and Shareholder Information, forms part of, and includes certain disclosures which are required by law to be included in, the Directors' Report.

Strategic Report Disclosures

Section 414C(11) of the Companies Act 2006 allows the Board to include in the Strategic Report information that it considers to be of strategic importance that would otherwise need to be disclosed in the Directors' Report. The Board has chosen to take advantage of this provision and accordingly, the information set out below, which would otherwise be required to be contained in the Directors' Report, has been included in the Strategic Report.

Information required in the Directors' Report	Section in the Strategic Report
Information on dividends	Financial Performance Summary
Certain risk information about the use of financial instruments	Treasury and Cash Flow
An indication of likely future developments in the business of the Group	Strategic Pillar Overview Our Markets and Megatrends
An indication of the activities of the Group in the field of research and development	Harm Reduction Beyond Nicotine
A statement describing the Group's policy regarding the hiring, continuing employment and training, career development and promotion of disabled persons	Employees, Diversity and Culture
Details of employee engagement: information, consultation, regard to employee interests, share scheme participation and the achievement of a common awareness of the financial and economic factors affecting the performance of the Group	Engaging with our stakeholders Employees, Diversity and Culture
Details of business relationships: Directors' regard to business relationships with customers, suppliers and other external stakeholders	Engaging with our stakeholders
Disclosures concerning greenhouse gas emissions and energy consumption	TCFD Reporting

Shareholder Information Disclosures

Information required in the Directors' Report	Section in Other Information
Change of control provisions	Material contracts
Information on dividends	Dividends
Share capital – structure and voting rights; restrictions on transfers of shares	Articles of Association
Directors – appointment and retirement	Articles of Association
Amendment of Articles of Association	Articles of Association
Branch outside of the UK - Representative Office in South Africa	Inside page of the back cover
Major shareholders	Share capital and security ownership
Directors – share issuance and buy-back powers	Share capital and security ownership Purchases of shares

Listing Rules (LRs) Disclosures

For the purpose of LR 9.8.4C R the applicable information required to be disclosed by LR 9.8.4 R	Section in Other Information
Section (12) – shareholder waivers of dividends	Group Employee Trust
Section (13) – shareholder waivers of future dividends	Group Employee Trust

Directors: Interests and Indemnities

Interests	– details of Directors' remuneration and emoluments, and their interests in the Company's shares (including share options and deferred shares) as at 31 December 2023 are given in the Remuneration Report; and – no Director had any material interest in a contract of significance (other than a service contract) with the Company or any subsidiary company during the year.
Insurance	– appropriate cover provided in the event of legal action against the Company's Directors.
Indemnities	– provision of indemnities to Directors in accordance with the Company's Articles of Association and to the maximum extent permitted by law; and – as at the date of this report, such indemnities are in force covering any costs, charges, expenses or liabilities that they may incur in or about the execution of their duties to the Company or to any entity which is an associated company (as defined in Section 256 of the Companies Act 2006), or as a result of duties performed by them on behalf of the Company or any such associated company.

Directors' Report Approval and Signature

The Directors' Report comprises the information on pages 130 to 169@ and page 193@ and pages 330 to 402. The Directors' Report was approved by the Board of Directors on 7 February 2024 and signed on its behalf by Caroline Ferland, Company Secretary.

Other Information

Cautionary Statement

This document 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, amongst 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.

In particular, these forward-looking statements include, among other statements, statements regarding the Group's future financial performance, planned product launches and future regulatory developments, as well as: (i) certain statements in the Overview section (pages 2 to 13), including the Our Global Business section, the Chair's Introduction, Chief Executive's Review and Interim Finance Director's Overview; (ii) certain statements in the Our Strategy section (pages 14 to 27), including the Our Strategic Navigator section, the Strategic Summary section and the Investment Case section; (iii) certain statements in the Quality Growth section (pages 28 to 39), including the Strategic Pillar overview; (iv) certain statements in the Dynamic Business section (pages 40 to 59), including certain statements in the Strategic Pillar Overview section, the Financial Performance Summary section, the Treasury and Cash Flow section and the going concern discussions; (v) certain statements in the Sustainable Future section (pages 60 to 129), including the Leading in Sustainability & Integrity section, Sustainability highlights section, our material topics, TCFD reporting and Our approach to Taskforce on Nature-related Financial Disclosures (TNFD) section; (vi) certain statements in the Notes on Accounts (page 240), including the Group's ability to navigate regulatory change); and (vii) certain statements in the Other Information section (pages 330 to 406), including the Additional Disclosures and Shareholder Information sections.

All such forward-looking statements involve estimates and assumptions that are subject to risks, uncertainties and other factors. It is believed that the expectations reflected in this document 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.

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; the impact of Supply chain disruptions; 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; changes in the market position, businesses, financial condition, results of operations or prospects of the Group; direct and indirect adverse impacts associated with Climate Change and the move towards a Circular Economy; and Cyber Security risks caused by the heightened cyber-threat landscape and increased digital interactions with consumers, and changes to regulation. Further details on the principal risks that may affect the Group can be found in the 'Group Principal Risks' section of the Strategic Report on pages 121 to 128 of this document. 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 Additional Disclosures section under the heading 'Group Risk Factors' on pages 353 to 374.

Past performance is no guide to future performance and persons needing advice should consult an independent financial adviser. The forward-looking statements reflect knowledge and information available at the date of preparation of this document 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.

No statement in this document is intended to be a profit forecast and no statement in this document should be interpreted to mean that earnings per share of BAT for the current or future financial years would necessarily match or exceed the historical published earnings per share of BAT.

Although financial materiality has been considered in the development of our Double Materiality Assessment (DMA), our DMA and any conclusions in this document as to the materiality or significance of sustainability or ESG matters do not imply that all topics discussed therein are financially material to our business taken as a whole, and such topics may not significantly alter the total mix of information available about our securities.

Shareholder Information

Premium Listing – London Stock Exchange (LSE)

The primary market for BAT's ordinary shares is the LSE (Share Code: BATS; ISIN: GB0002875804). BAT's ordinary shares have been listed on the LSE main market since 8 September 1998 and are a constituent element of the FTSE 100 Index.

Secondary Listing – Johannesburg Stock Exchange (JSE Limited), South Africa

BAT's ordinary shares have a secondary listing and are traded in South African rand on the Main Board of the JSE in South Africa (Abbreviated name: BATS; Trading code: BTI). BAT's ordinary shares have been listed on the JSE since 28 October 2008 and are a constituent element of the JSE Top 40 Index.

American Depositary Shares (ADSs) – New York Stock Exchange (NYSE)

BAT ordinary shares trade in the form of BAT ADSs in the United States under the symbol BTI (CUSIP Number: 110448107). The BAT ADSs have been listed on the NYSE since 25 July 2017 as a Sponsored Level III ADS programme for which Citibank, N.A. is the depositary (the 'Depositary') and transfer agent. Each ADS represents one ordinary share. ADSs are evidenced by American Depositary Receipts (ADRs).

Share Prices

The high and low prices at which the Company's ordinary shares and ADSs are recorded as having traded during the year on each of the LSE, JSE and NYSE are as follows:

	High	Low
LSE	£33.49	£22.79
JSE	R709.00	R529.09
NYSE	US$40.69	US$28.86

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 344, and reconciled from earnings per share in note 11 in the Notes on the Accounts. Please see page 55 of this Annual Report and Form 20-F 2023 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 59 of this Annual Report and Form 20-F 2023. 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 2023 to 31 December 2021 inclusive.

Announcement Year	Payment	Dividend Period	Dividend Per BAT Ordinary Share GBP	Dividend Per BAT ADS ADS ratio 1:1 US$[1]
2023	May	Quarterly Interim 2023	0.5772	0.723866
	August	Quarterly Interim 2023	0.5772	0.734400
	November	Quarterly Interim 2023	0.5772	0.713880
	February 2024	Quarterly Interim 2023	0.5772	0.7318030
Total			**2.3088**	**2.903949**
2022	May	Quarterly Interim 2022	0.5445	0.680434
	August	Quarterly Interim 2022	0.5445	0.655523
	November	Quarterly Interim 2022	0.5445	0.635540
	February 2023	Quarterly Interim 2022	0.5445	0.669190
Total			**2.1780**	**2.640687**
2021	May	Quarterly Interim 2021	0.5390	0.757618
	August	Quarterly Interim 2021	0.5390	0.734530
	November	Quarterly Interim 2021	0.5390	0.721721
	February 2022	Quarterly Interim 2021	0.5390	0.729886
Total			**2.1560**	**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.

Quarterly Dividends for the Year Ended 31 December 2023

The Group pays quarterly dividends. The Board has declared an interim dividend of 235.52p per ordinary share of 25p which is payable in four equal quarterly instalments of 58.88p per ordinary share in May 2024, August 2024, November 2024 and February 2025. This represents an increase of 2.0% on 2022 (2022: 230.9p per share), and a payout ratio, on 2023 adjusted diluted earnings per share, of 62.7%.

The quarterly dividends will be paid to shareholders registered on either the UK main register or the South Africa branch register and to ADS holders, each on the applicable record dates set out under the heading 'Key dates' below.

Holders of American Depositary Shares (ADSs)

For holders of ADSs listed on the NYSE, the record dates and payment dates are set out below. The equivalent quarterly dividends receivable by holders of ADSs in US dollars will be calculated based on the exchange rate on the applicable payment date.

South Africa branch register

In accordance with the JSE Listing Requirements, the finalisation information relating to shareholders registered on the South Africa branch register (comprising the amount of the dividend in South African rand, the exchange rate and the associated conversion date) will be published on the dates stated below, together with South Africa dividends tax information.

The quarterly dividends are regarded as 'foreign dividends' for the purposes of the South Africa Dividends Tax. For the purposes of South Africa Dividends Tax reporting, the source of income for the payment of the quarterly dividends is the United Kingdom.

Key dates

In compliance with the requirements of the LSE, the NYSE and Strate, the electronic settlement and custody system used by the JSE, the following are the salient dates for the quarterly dividend payments. All dates are 2024 unless otherwise stated.

Event	Payment No. 1	Payment No. 2	Payment No. 3	Payment No. 4
Preliminary announcement (includes declaration data required for JSE purposes)	8 February			
Publication of finalisation information (JSE)	11 March	18 June	16 September	9 December
No removal requests permitted (in either direction) between the UK main register and the South Africa branch register	11 March–25 March	18 June–1 July	17 September–30 September	10 December–23 December
Last Day to Trade (LDT) cum-dividend (JSE)	18 March	25 June	23 September	17 December
Shares commence trading ex-dividend (JSE)	19 March	26 June	25 September	18 December
No transfers permitted between the UK main register and the South Africa branch register	19 March–25 March	26 June–1 July	25 September–30 September	18 December–23 December
No shares may be dematerialised or rematerialised on the South Africa branch register	19 March–25 March	26 June–1 July	25 September–30 September	18 December–23 December
Shares commence trading ex-dividend (LSE)	21 March	27 June	26 September	19 December
Shares commence trading ex-dividend (NYSE)	21 March	27 June	26 September	19 December
Record date (JSE, LSE and NYSE)	22 March	28 June	27 September	20 December
Last date for receipt of Dividend Reinvestment Plan (DRIP) elections (LSE)	11 April	12 July	11 October	13 January 2025
Payment date (LSE and JSE)	2 May	2 August	1 November	3 February 2025
ADS payment date (NYSE)	7 May	7 August	6 November	6 February 2025

Other Information

Shareholder Taxation Information

The following discussion summarises material U.S. federal income tax consequences and UK taxation consequences to U.S. holders of owning and disposing of ordinary shares or ADSs, this information is accurate as at 5 February 2024. This discussion does not address any tax consequences arising under the laws of any state, local or foreign jurisdiction or under any U.S. federal laws other than those pertaining to income tax. This discussion is based upon the U.S. Internal Revenue Code of 1986 (the 'U.S. Tax Code'), the Treasury regulations promulgated under the U.S. Tax Code and court and administrative rulings and decisions, all as in effect on the date hereof. These laws may change, possibly retroactively, and any change could affect the accuracy of the statements and conclusions set forth in this discussion.

This discussion addresses only those U.S. holders of ordinary shares or ADSs who hold such equity interests as capital assets within the meaning of Section 1221 of the U.S. Tax Code. Further, this discussion does not address all aspects of U.S. federal income taxation that may be relevant to U.S. holders in light of their particular circumstances or that may be applicable to them if they are subject to special treatment under the U.S. federal income tax laws, including, without limitation:

- a bank or other financial institution;
- a tax-exempt organisation;
- an S corporation or other pass-through entity and an investor therein;
- an insurance company;
- a mutual fund;
- a regulated investment company or real estate investment trust;
- a dealer or broker in stocks and securities, or currencies;
- a trader in securities that elects mark-to-market treatment;
- a U.S. holder subject to the alternative minimum tax provisions of the U.S. Tax Code;
- a U.S. holder that received ordinary shares or ADSs through the exercise of an employee stock option, pursuant to a tax qualified retirement plan or otherwise as compensation;
- a U.S. holder that is a tax-qualified retirement plan or a participant or a beneficiary under such a plan;
- a person that is not a U.S. holder (as defined below);
- a person that has a functional currency other than the US dollar;
- a person required to recognise any item of gross income as a result of such income being recognised on an applicable financial statement;
- a U.S. holder of ordinary shares or ADSs that holds such equity interest as part of a hedge, straddle, constructive sale, conversion or other integrated transaction;
- a U.S. holder that owns (directly, indirectly or constructively) 10% or more of ordinary shares or ADSs by vote or by value; or
- a U.S. expatriate.

The determination of the actual tax consequences to a U.S. holder will depend on the U.S. holder's specific situation. U.S. holders of ordinary shares or ADSs should consult their own tax advisers as to the tax consequences of owning and disposing of ordinary shares or ADSs, in each case, including the applicability and effect of the alternative minimum tax and any state, local, foreign or other tax laws and of changes in those laws.

For purposes of this discussion, the term U.S. holder means a beneficial owner of ordinary shares or ADSs (as the case may be) that:

- is for U.S. federal income tax purposes: (i) an individual citizen or resident of the United States; (ii) a corporation, including any entity treated as a corporation for U.S. federal income tax purposes, created or organised in or under the laws of the United States, any state thereof or the District of Columbia; (iii) a trust if a U.S. court is able to exercise primary supervision over the trust's administration and one or more U.S. persons are authorised to control all substantial decisions of the trust or it has a valid election in effect under applicable Treasury regulations to be treated as a U.S. person; or (iv) an estate that is subject to U.S. federal income tax on its income regardless of its source; and
- is not resident in the UK for UK tax purposes.

The U.S. federal income tax consequences to a partner in an entity or arrangement treated as a partnership for U.S. federal income tax purposes that holds ordinary shares or ADSs generally will depend on the status of the partner and the activities of the partnership. Partners in a partnership holding any such equity interest should consult their own tax advisers.

Material U.S. Federal Income Tax Consequences Relating to the Ownership and Disposition of Ordinary Shares or ADSs

The following is a discussion of the material U.S. federal income tax consequences of the ownership and disposition by U.S. holders of ordinary shares or ADSs. This discussion assumes that BAT is not, and will not become, a passive foreign investment company for U.S. federal income tax purposes, as described below.

ADSs

A U.S. holder of ADSs, for U.S. federal income tax purposes, generally will be treated as the owner of the underlying ordinary shares that are represented by such ADSs. Accordingly, deposits or withdrawals of ordinary shares for or from ADSs will not be subject to U.S. federal income tax.

Taxation of Dividends

The gross amount of distributions on the ordinary shares or ADSs will be taxable as dividends to the extent paid out of BAT's current or accumulated earnings and profits, as determined under U.S. federal income tax principles. Such income will be includable in a U.S. holder's gross income as ordinary income on the day actually or constructively received by the U.S. holder. Such dividends will be treated as foreign source income and will not be eligible for the dividends received deduction allowed to corporations under the U.S. Tax Code.

With respect to non-corporate U.S. investors, certain dividends received from a qualified foreign corporation may be subject to reduced rates of taxation. A qualified foreign corporation includes a foreign corporation that is eligible for the benefits of a comprehensive income tax treaty with the United States that the Treasury determines to be satisfactory for these purposes and that includes an exchange of information provision. The Treasury has determined that the treaty between the United States and the United Kingdom meets these requirements, and BAT believes that it is eligible for the benefits of the treaty. However, non-corporate holders that do not meet a minimum holding period requirement during which they are not protected from the risk of loss or that elect to treat the dividend income as 'investment income' pursuant to Section 163(d)(4) of the U.S. Tax Code will not be eligible for the reduced rates of taxation. In addition, the rate reduction will not apply to dividends if the recipient of a dividend is obligated to make related payments with respect to positions in substantially similar or related property. This disallowance applies even if the minimum holding period has been met. U.S. holders should consult their own tax advisers regarding the application of these rules to their particular circumstances.

The amount of any dividend paid by BAT in £ sterling (including any such amount in respect of ADSs that is converted into US dollars by the depositary bank) will equal the US dollar value of the £ sterling actually or constructively received, calculated by reference to the exchange rate in effect on the date the dividend is so received by the U.S. holder, regardless of whether the £ sterling are converted into US dollars. If the £ sterling received as a dividend are converted into US dollars on the date received, the U.S. holder generally will not be required to recognise foreign currency exchange gain or loss in respect of the dividend income. If the £ sterling received as a dividend are not converted into US dollars on the date of receipt, the U.S. holder will have a basis in £ sterling equal to their US dollar value on the date of receipt. Any gain or loss realised on a subsequent conversion or other disposition of £ sterling will be treated as U.S. source ordinary income or loss. U.S. holders of ADSs should consult their own tax advisers regarding the application of these rules to the amount of any dividend paid by BAT in £ sterling that is converted into US dollars by the depositary bank.

To the extent that the amount of any distribution exceeds BAT's current and accumulated earnings and profits for a taxable year, as determined under U.S. federal income tax principles, the distribution will first be treated as a tax-free return of capital, causing a reduction in the U.S. holder's adjusted basis of the ordinary shares or ADSs, and to the extent the amount of the distribution exceeds the U.S. holder's tax basis, the excess will be taxed as capital gain recognised on a sale or exchange, as described below. BAT does not expect to determine earnings and profits in accordance with U.S. federal income tax principles. Therefore, notwithstanding the foregoing, U.S. holders should expect that distributions generally will be reported as dividend income for U.S. information reporting purposes.

Distributions by BAT of additional ordinary shares (which may be distributed by the depositary bank to a holder of ADSs in the form of ADSs) to a U.S. holder that is made as part of a pro rata distribution to all holders of ordinary shares and ADSs in respect of their ordinary shares or ADSs, and for which there is no option to receive other property (not including ADSs), generally will not be subject to U.S. federal income tax. The basis of any new ordinary shares (or ADSs representing new ordinary shares) so received will be determined by allocating the U.S. holder's basis in the previously held ordinary shares or ADSs between the previously held ordinary shares or ADSs and the new ordinary shares or ADSs, based on their relative fair market values on the date of distribution.

Passive foreign investment company

A passive foreign investment company ("PFIC"), is any foreign corporation if, after the application of certain 'look-through' rules: (1) at least 75% of its gross income is 'passive income' as that term is defined in the relevant provisions of the U.S. Tax Code; or (2) at least 50% of the average value of its assets produce 'passive income' or are held for the production of 'passive income.' The determination as to PFIC status is made annually.

BAT does not believe that it is, for U.S. federal income tax purposes, a PFIC, and BAT expects to operate in such a manner so as not to become a PFIC. If, however, BAT is or becomes a PFIC, U.S. holders could be subject to additional U.S. federal income taxes on gain recognised with respect to the ordinary shares or ADSs and on certain distributions, plus an interest charge on certain taxes treated as having been deferred under the PFIC rules. Non-corporate U.S. holders will not be eligible for reduced rates of taxation on any dividends received from BAT if it is a PFIC in the taxable year in which such dividends are paid or in the preceding taxable year. BAT's U.S. counsel expresses no opinion with respect to BAT's PFIC status.

Taxation of capital gains

Upon a sale, exchange or other taxable disposition of ordinary shares or ADSs, a U.S. holder will generally recognise capital gain or loss for U.S. federal income tax purposes in an amount equal to the difference between the US dollar value of the amount realised on the disposition and the U.S. holder's adjusted tax basis in the ordinary shares or ADSs as determined in US dollars. Such gain or loss generally will be U.S. source gain or loss, and will be long-term capital gain or loss if the U.S. holder has held the ordinary shares or ADSs for more than one year. Certain non-corporate U.S. holders may be eligible for preferential rates of U.S. federal income tax in respect of net long-term capital gains. The deductibility of capital losses is subject to limitations.

The amount realised on a sale, exchange or other taxable disposition of ordinary shares for an amount in foreign currency will be the US dollar value of that amount on the date of sale or disposition. On the settlement date, the U.S. holder will recognise U.S. source foreign currency exchange gain or loss (taxable as ordinary income or loss) equal to the difference (if any) between the US dollar value of the amount received based on the exchange rates in effect on the date of sale, exchange or other disposition and the settlement date. However, in the case of ordinary shares traded on an established securities market that are sold by a cash-basis U.S. holder (or an accrual-basis U.S. holder that so elects), the amount realised will be based on the exchange rate in effect on the settlement date for the sale, and no foreign currency exchange gain or loss will be recognised at that time.

A U.S. holder's tax basis in ordinary shares or ADSs will generally equal the US dollar cost of the ordinary shares or ADSs. The US dollar cost of ordinary shares purchased with foreign currency will generally be the US dollar value of the purchase price on the date of purchase, or the settlement date for the purchase in the case of ordinary shares traded on an established securities market that are purchased by a cash-basis U.S. holder (or an accrual-basis U.S. holder that so elects).

Other Information

Shareholder Taxation Information

Continued

Information with respect to foreign financial assets

Individuals and certain entities that own 'specified foreign financial assets' with an aggregate value in excess of US$50,000 are generally required to file information reports with respect to such assets with their U.S. federal income tax returns. Depending on the individual's circumstances, higher threshold amounts may apply. Specified foreign financial assets include any financial accounts maintained by foreign financial institutions, as well as any of the following, but only if they are not held in accounts maintained by financial institutions: (1) stocks and securities issued by non-U.S. persons; (2) financial instruments and contracts held for investment that have non-U.S. issuers or counterparties; and (3) interests in non-U.S. entities. If a U.S. holder is subject to this information reporting regime, the failure to file information reports may subject the U.S. holder to penalties. U.S. holders are urged to consult their own tax advisers regarding their obligations to file information reports with respect to ordinary shares or ADSs.

Medicare net investment tax

Certain persons who are individuals (other than non-resident aliens), estates or trusts are required to pay an additional 3.8% tax on the lesser of (1) their 'net investment income' (in the case of individuals) or 'undistributed net investment income' (in the case of estates and trusts) (which includes dividend income in respect of, and gain recognised on the disposition of, ordinary shares or ADSs) for the relevant taxable year; and (2) the excess of their modified adjusted gross income (in the case of individuals) or adjusted gross income (in the case of estates and trusts) for the taxable year over specified dollar amounts. U.S. holders are urged to consult their tax advisers regarding the applicability of this provision to their ownership of ordinary shares or ADSs.

Credits or deductions for UK taxes

As indicated under 'Material UK tax consequences' below, dividends in respect of, and gains on the disposition of, ordinary shares or ADSs may be subject to UK taxation in certain circumstances. A U.S. holder may be eligible to claim a credit or deduction in respect of UK taxes attributable to such income or gain for purposes of computing the U.S. holder's U.S. federal income tax liability, subject to certain limitations. The U.S. foreign tax credit rules are complex, and U.S. holders should consult their own tax advisers regarding the availability of U.S. foreign tax credits and the application of the U.S. foreign tax credit rules to their particular situation.

Information reporting and backup withholding

Information reporting and backup withholding may apply to dividend payments and proceeds from the sale, exchange or other taxable disposition of ordinary shares or ADSs. Backup withholding will not apply, however, to a U.S. holder that: (1) furnishes a correct taxpayer identification number (TIN), certifies that such holder is not subject to backup withholding on Internal Revenue Service Form W-9 (or appropriate successor form) and otherwise complies with all applicable requirements of the backup withholding rules; or (2) provides proof that such holder is otherwise exempt from backup withholding. Backup withholding is not an additional tax, and any amounts withheld under the backup withholding rules may be refunded or credited against a holder's U.S. federal income tax liability, if any, provided that such holder furnishes the required information to the Internal Revenue Service in a timely manner. The Internal Revenue Service may impose a penalty upon any taxpayer that fails to provide the correct TIN.

This summary of material U.S. federal income tax consequences is not tax advice. The determination of the actual tax consequences for a U.S. holder will depend on the U.S. holder's specific situation. U.S. holders of ordinary shares or ADSs, in each case, should consult their own tax advisers as to the tax consequences of owning and disposing of ordinary shares or ADSs, including the applicability and effect of the alternative minimum tax and any state, local, foreign or other tax laws and of changes in those laws.

Material UK Tax Consequences

The following paragraphs summarise material aspects of the UK tax treatment of U.S. holders of ordinary shares or ADSs and do not purport to be either a complete analysis of all tax considerations relating to holding ordinary shares or ADSs or an analysis of the tax position of BAT. They are based on current UK legislation and what is understood to be current HMRC practice, both of which are subject to change, possibly with retrospective effect.

The comments are intended as a general guide and (otherwise than where expressly stated to the contrary) apply only to U.S. holders of ordinary shares or ADSs (other than under a personal equity plan or individual savings account) and who are the absolute beneficial owners of such shares. These comments do not deal with certain types of shareholders such as charities, dealers in securities, persons holding or acquiring shares in the course of a trade, persons who have or could be treated for tax purposes as having acquired their ordinary shares or ADSs by reason of their employment, collective investment schemes, persons subject to UK tax on the remittance basis and insurance companies. You are encouraged to consult an appropriate independent professional tax adviser with respect to your tax position.

Tax on chargeable gains as a result of disposals of ordinary shares or ADSs

Subject to the below, U.S. holders will not generally be subject to UK tax on chargeable gains on a disposal of ordinary shares or ADSs provided that they do not carry on a trade, profession or vocation in the United Kingdom through a branch, agency or permanent establishment in connection with which the ordinary shares or ADSs are held.

A U.S. holder who is an individual, who has ceased to be resident for tax purposes in the United Kingdom for a period of less than five years and who disposes of ordinary shares or ADSs during that period may be liable for UK tax on capital gains (in the absence of any available exemptions or reliefs). If applicable, the tax charge will arise in the tax year that the individual returns to the United Kingdom.

Tax on dividends

BAT is not required to withhold UK tax at source from dividends paid on ordinary shares or ADSs.

U.S. holders will not generally be subject to UK tax on dividends received from BAT provided that they do not carry on a trade, profession or vocation in the United Kingdom through a branch, agency or permanent establishment in connection with which the ordinary shares or ADSs are held.

Stamp duty and stamp duty reserve tax (SDRT)

Based on current published HMRC practice and recent case law, transfers of ADSs should not be subject to SDRT or stamp duty. The transfer of an underlying ordinary share to the ADS holder in exchange for the cancellation of an ADS should also not give rise to a stamp duty or SDRT charge.

Transfers of ordinary shares outside of the depositary bank, including the repurchase of ordinary shares by BAT, will generally be subject to stamp duty or SDRT at the rate of 0.5% of the amount or value of the consideration given, except as described above in connection with the cancellation of an ADS. If ordinary shares are redeposited into a clearance service or depositary system, the redeposit will attract stamp duty or SDRT at the higher rate of 1.5%.

The purchaser or the transferee of the ordinary shares or ADSs will generally be responsible for paying any stamp duty or SDRT payable. Where stamp duty or SDRT is payable, it is payable regardless of the residence position of the purchaser.

Inheritance tax

A gift or settlement of ordinary shares or ADSs by, or on the death of, an individual shareholder may give rise to a liability to UK inheritance tax even if the shareholder is not a resident of, or domiciled in, the United Kingdom.

A charge to inheritance tax may arise in certain circumstances where ordinary shares or ADSs are held by close companies and trustees of settlements.

However, pursuant to the Estate and Gift Tax Treaty 1980 (the "Treaty") entered into between the United Kingdom and the United States, a gift or settlement of ordinary shares or ADSs by shareholders who are domiciled in the United States for the purposes of the Treaty may be exempt from any liability to UK inheritance tax.

Other Information

Share Capital and Security Ownership

Share Capital

Ordinary shares of 25p each	31 December 2023
Issued ordinary shares (excluding treasury shares)	2,236,408,054
Treasury shares	220,533,855
Total allotted and fully paid ordinary shares	2,456,941,909
Aggregated nominal value £m	**614.23**

Note:
1. Includes treasury shares and shares owned by employee share trusts.

Authority to allot shares

This authority (granted at the 2023 AGM) will expire at the 2024 AGM and provides the Company authority to allot relevant securities up to the amount representing one-third of the Company's then issued ordinary share capital (excluding treasury shares). Although the Directors have no present intention of exercising this authority, it provides them with an appropriate level of authority for on-going purposes and the Directors consider it appropriate to maintain the flexibility that this authority provides.

Analyses of Shareholders

Ordinary Shares

At 31 December 2023, there was a total of 2,456,941,909 ordinary shares in issue held by 100,367 shareholders. These shareholdings are analysed as follows:

(a) by listing as at 31 December 2023:

Register	Total number of shares	Number of holders	% of issued share capital
UK	2,186,315,960	31,464	88.99
South Africa	270,625,949	68,903	11.01
Total	**2,456,941,909**	**100,367**	**100.00**

(b) by size of shareholding as at 31 December 2023:

UK Register

	Number of holders	% of UK ordinary share capital
1-1,999	27,079	86.06
2,000-9,999	3,147	10.00
10,000-199,999	883	2.81
200,000-499,999	115	0.37
500,000 and over	239	0.76
Treasury shares (UK)	1	0.00
Total	**31,464**	**100**

South Africa Register

	Number of holders	% of SA ordinary share capital
1-1,999	63,543	92.22
2,000-9,999	3,628	5.27
10,000-199,999	1,575	2.29
200,000-499,999	100	0.14
500,000 and over	57	0.08
Total	**68,903**	**100**

Combined registers

	Number of holders	% of issued ordinary share capital
1-1,999	90,622	90.29
2,000-9,999	6,775	6.75
10,000-199,999	2,458	2.45
200,000-499,999	215	0.21
500,000 and over	296	0.30
Treasury shares (UK)	1	0.00
Total	**100,367**	**100**

American Depositary Shares (ADSs)

At 31 December 2023, there was a total of 293,974,788 ADSs outstanding held by 8,222 registered holders. The ADS register is analysed by size of shareholding as at 31 December 2023 as follows:

	Number of holders	% of total ADSs
1-1,999	8,058	0.51
2,000-9,999	147	0.17
10,000-199,999	15	0.09
200,000-499,999	1	0.08
500,000 and over	1	99.15
Total	**8,222**	**100.00**

Note:
1. One registered holder of ADSs represents 582,124 underlying shareholders.

Security Ownership of Ordinary Shares

As at 1 February 2024, there were 31,360 record holders of ordinary shares listed on the LSE (including Citibank as the depositary bank for the ADSs) and 2,190,627,718 of such ordinary shares outstanding. As at that date, to BAT's knowledge, 302 record holders, representing 0% of the ordinary shares listed on the LSE, had a registered address in the U.S. As at 1 February 2024, there were 1,132 record holders of ordinary shares listed on the JSE (including PLC Nominees (Proprietary) Limited as the nominee for the dematerialised ordinary shares listed on the JSE) and 266,315,378 of such ordinary shares outstanding. As at such date, to BAT's knowledge, 7 record holders, representing 0% of the ordinary shares listed on the JSE had a registered address in the U.S. As at 1 February 2024, based on information received from Citibank, there were 8,187 record holders of ADSs and 303,045,297 ADSs outstanding. As at that date, based on information received from Citibank, 8,128 record holders, representing 99.99% of ADSs representing ordinary shares, had a registered address in the U.S.

Security Ownership – Major Shareholders

All shares held by the significant shareholders represent the Company's ordinary shares. These significant shareholders have no special voting rights compared with other holders of the Company's ordinary shares.

At 31 December 2023, the following substantial interests (3% or more) in the Company's ordinary share capital (voting securities) had been notified to the Company in accordance with Section 5.1.2 of the Disclosure Guidance and Transparency Rules (DTRs). The Company has not received any notifications in accordance with DTR 5.1.2 from 1 January 2024 to the date of this report.

Name	Number of ordinary shares	% of issued share capital[1]
The Capital Group Companies, Inc.[2]	290,195,446	12.98
Spring Mountain Investments Ltd.[3]	231,975,495	10.37
BlackRock, Inc	132,891,526	5.94

Notes:
1. The percentage of issued share capital as at 31 December 2023, excluding treasury shares.
2. Includes 37,136,888 ordinary shares represented by ADRs.
3. Includes 5,902,088 ordinary shares represented by ADRs.

Additional Significant Shareholding Disclosure

The Company is aware of the following interests from filings by shareholders made under the U.S. Securities Exchange Act of 1934 as at the date of this report:

Holder	Schedule 13G Filing Date[1]	Date of holding	Ordinary shares held	Percentage of ordinary share capital held[2]
Portfolio Services Ltd[3]	26 January 2024	31 December 2023	234,328,476	10.5 %
	8 December 2023	7 December 2023	225,064,318	10.1 %
	10 February 2023	31 December 2022	198,285,158	8.9 %
	10 February 2022	31 December 2021	187,023,731	8.2 %
BlackRock, Inc.	6 February 2024	31 December 2023	173,760,660	7.8 %
	31 January 2023	31 December 2022	172,502,866	7.7 %
	3 February 2022	31 December 2021	184,921,039	8.1 %
Capital International Investors, a division of Capital Research and Management Company[4]	13 February 2023	30 December 2022	115,107,720	5.1 %
	11 February 2022	31 December 2021	110,680,543	4.8 %
Capital Research Global Investors, a division of Capital Research and Management Company[4]	13 February 2023	30 December 2022	126,794,516	5.7 %

Notes:

1. In addition to the Schedule 13G filings made with the SEC, in accordance with the DTRs, shareholders must notify the Company if their shareholding reaches, exceeds or falls below 3% of total voting rights and each 1% threshold thereafter. The notifications received by the Company during the past three years to the best of the Company's knowledge are set out in the notes below.
2. The percentage of issued share capital excludes treasury shares.
3. Kenneth B. Dart is beneficial owner of all outstanding shares of Portfolio Services Ltd. and Spring Mountain Investments Ltd.. Spring Mountain Investments Ltd notified the Company on:

- 14 January 2021 that on 12 January 2021 it had: a direct interest in ordinary shares of 110,534,713; and financial instruments pursuant to DTR 5.3.1 R (1)(b) which refer to 5,062,024 voting rights, representing 4.8179% and 0.2206%, respectively, of the total voting rights at that date;
- 23 February 2021 that on 19 February 2021 it had: a direct interest in ordinary shares of 133,280,068; and financial instruments pursuant to DTR 5.3.1 R (1)(b) which refer to 5,062,024 voting rights, representing 5.8093% and 0.2206%, respectively, of the total voting rights at that date;
- 22 April 2021 that on 20 April 2021 it had: a direct interest in ordinary shares of 156,915,707; and financial instruments pursuant to DTR 5.3.1 R (1)(b) which refer to 5,062,024 voting rights, representing 6.838441% and 0.220605%, respectively, of the total voting rights at that date;
- 17 August 2021 that on 16 August 2021 it had a direct interest in ordinary shares of 179,298,707; and financial instruments pursuant to DTR 5.3.1 R (1)(b) which refer to 5,062,024 voting rights, representing 7.813836% and 0.220603%, respectively, of the total voting rights at that date;
- 12 November 2021 that on 11 November 2021 it had a direct interest in 187,023,731 ordinary shares, representing 8.150403% of the total voting rights at that date;
- 18 May 2023 that on 16 May 2023 it had a direct interest in 201,404,985 ordinary shares, representing 9.006076% of the total voting rights at that date;
- 8 December 2023 that on 7 December 2023 it had a direct interest in 224,329,318 ordinary shares representing 10.030787% of the total voting rights at that date; and
- 18 December 2023 that on 15 December 2023 it had a direct interest in 231,975,495 ordinary shares representing 10.372682% of the total voting rights at that date.

4. The notifications regarding the holdings by The Capital Group Companies, Inc., listed below, indicate that Capital Research and Management Company is part of a chain of controlled undertakings with The Capital Group Companies, Inc.. The Capital Group Companies, Inc. notified the Company on:

- 29 March 2021 that on 26 March 2021 it had: an indirect interest in ordinary shares of 251,963,680; and financial instruments pursuant to DTR 5.3.1 R (1)(b) which refer to 408,500 voting rights, representing 10.9807% and 0.0178%, respectively, of the total voting rights at that date;
- 20 April 2021 that on 19 April 2021 it had: an indirect interest in ordinary shares of 253,737,508; and financial instruments pursuant to DTR 5.3.1 R (1)(b) which refer to 143,900 voting rights, representing 11.06% and 0.01%, respectively, of the total voting rights at that date;
- 15 October 2021 that on 14 October 2021 it had: an indirect interest in ordinary shares of 251,653,679; and financial instruments pursuant to DTR 5.3.1 R (1)(b) which refer to 175,551 voting rights, representing 10.96% and 0.01%, respectively, of the total voting rights at that date;
- 25 January 2022 that on 24 January 2022 it had: an indirect interest in ordinary shares of 249,908,259; and financial instruments pursuant to DTR 5.3.1 R (1)(b) which refer to 3,972,871 voting rights, representing 10.89% and 0.17%, respectively, of the total voting rights at that date;
- 26 January 2022 that on 25 January 2022 it had: an indirect interest in ordinary shares of 253,762,060; and financial instruments pursuant to DTR 5.3.1 R (1)(b) which refer to 4,365,071 voting rights, representing 11.06% and 0.19%, respectively, of the total voting rights at that date;
- 24 February 2022 that on 23 February 2022 it had an indirect interest in 275,311,725 ordinary shares, representing 12.01% of the total voting rights at that date;
- 9 June 2022 that on 8 June 2022 it had an indirect interest in 295,342,819 ordinary shares, representing 13.04% of the total voting rights at that date;
- 17 June 2022 that on 16 June 2022 it had an indirect interest in 293,149,711 ordinary shares, representing 12.96% of the total voting rights at that date;
- 14 July 2022 that on 13 July 2022 it had an indirect interest in 293,899,574 ordinary shares, representing 13.03% of the total voting rights at that date;
- 28 July 2022 that on 27 July 2022 it had an indirect interest in 292,880,152 ordinary shares, representing 12.99% of the total voting rights at that date;
- 11 August 2022 that on 9 August 2022 it had an indirect interest in 292,841,616 ordinary shares, representing 13.00% of the total voting rights at that date; and
- 11 May 2023 that on 10 May 2023 it had an indirect interest in 290,195,446 ordinary shares, representing 12.98% of the total voting rights at that date.

To the extent known by BAT, BAT is not directly or indirectly owned or controlled by another corporation, any foreign government or by any other natural or legal person, severally or jointly. BAT is not aware of any arrangements, the operation of which may at a subsequent date result in a change of control of the Group.

Other Information

Articles of Association

The Company is a public limited company incorporated under the name of British American Tobacco p.l.c. and is registered in England and Wales under registered number 3407696. Under the Companies Act 2006 (the "Companies Act"), the Company's objects are unrestricted. The following descriptions summarise certain provisions of the Company's current Articles of Association (the "Articles") (as adopted by special resolution at the AGM on 19 April 2023), applicable English and Welsh law and the Companies Act. This summary is qualified in its entirety by reference to the Companies Act and the Articles, available on bat.com. The Articles may be altered or added to, or completely new articles may be adopted, by a special resolution of the shareholders of the Company, subject to the provisions of the Companies Act.

Share capital – structure
Ordinary shares
– all of the Company's ordinary shares are fully paid
– no further contribution of capital may be required by the Company from the holders of such shares
Alteration of share capital – the Company by ordinary resolution may:
– consolidate and divide all or any of its shares into shares of a larger nominal amount than its existing shares
– divide or sub-divide any of its shares into shares of a smaller nominal amount than its existing shares
– determine that, as between the shares resulting from such a sub-division, any of them may have any preference or advantage as compared with the others
Alteration of share capital – the Company, subject to the provisions of the Companies Act, may:
– reduce its share capital, its capital redemption reserve and any share premium account in any way
– purchase its own shares, including redeemable shares, and may hold such shares as treasury shares or cancel them
Dividend rights
– shareholders may, by ordinary resolution, declare dividends but not in excess of the amount recommended by the Directors
– the Directors may pay interim dividends out of distributable profits
– no dividend shall be paid otherwise than out of the profits available for distribution as specified under the provisions of the Companies Act
– the Directors may, with the authority of an ordinary resolution of the shareholders, pay scrip dividends or satisfy the payment of a dividend by the distribution of specific assets
– unclaimed dividends for a period of 12 years shall be forfeited and cease to be owed by the Company
– specific provisions enable the Directors to elect to pay dividends by bank or electronic transfer only

Share capital – voting rights
Voting at general meetings
– at a general meeting which has been convened as a hybrid meeting, on a poll, or otherwise by a show of hands, unless a poll is demanded
– on a poll, every shareholder who is present in person or by proxy has one vote for every share held by the shareholder
– on a show of hands, every shareholder who is present in person has one vote regardless of the number of shares held by that shareholder
– every proxy appointed by a shareholder and present at a general meeting has one vote except that if the proxy has been duly appointed by more than one shareholder entitled to vote on the resolution and is instructed by one or more of those shareholders to vote for the resolution and by one or more others to vote against it, or is instructed by one or more of those shareholders to vote in one way and is given discretion as to how to vote by one or more others (and wishes to use that discretion to vote in the other way), they have one vote for and one vote against the resolution
– a shareholder (or their duly appointed proxy) entitled to more than one vote need not use all their votes or cast all the votes they use in the same way
– a poll may be demanded by any of the following: a. the Chair of the meeting; b. the Directors; c. not less than five shareholders having the right to vote at the meeting; d. a shareholder or shareholders representing not less than one-tenth of the total voting rights of all shareholders having the right to vote at the meeting (excluding any voting rights attached to treasury shares); or e. a shareholder or shareholders holding shares which confer a right to vote on the resolution at the meeting being shares on which an aggregate sum has been paid up equal to not less than one-tenth of the total sum paid up on all shares conferring that right (excluding any voting rights attached to treasury shares)

Share capital – voting rights continued

Matters transacted at general meetings

- ordinary resolutions can include resolutions for the appointment, reappointment and removal of Directors, the receiving of the Annual Report, the declaration of final dividends, the appointment and reappointment of the external auditor, the authority for the Company to purchase its own shares and the grant of authority to allot shares
- an ordinary resolution is passed when a simple majority of the votes cast at a meeting at which there is a quorum vote in favour of the resolution
- special resolutions can include resolutions amending the Company's Articles and resolutions relating to certain matters concerning a winding-up of the Company
- a special resolution is passed when not less than three-quarters of the votes cast at a meeting at which there is a quorum vote in favour of the resolution
- quorum for a meeting of the Company is a minimum of two shareholders present in person or by proxy or by a duly authorised representative(s) of a corporation which is a shareholder and entitled to vote
- convening a meeting: the Company may specify a time not more than 48 hours before the time of the meeting (excluding any part of a day that is not a working day) by which a person must be entered on the register of members in order to have the right to attend or vote at the meeting
- postponement of a meeting: the Directors may postpone the time at which the meeting is held and/or change the place(s) of a meeting any number of times before the meeting is held
- form of general meetings: the Directors may decide in relation to any general meeting (including a postponed or adjourned meeting) whether it is to be held as a physical meeting or a hybrid meeting, and may make such arrangements as they may decide in connection with the facilities for participation by electronic means (but may not convene a purely electronic meeting)

Share capital – pre-emptive rights and new issues of shares

- holders of ordinary shares have no pre-emptive rights under the Articles – the ability of the Directors to cause the Company to issue shares, securities convertible into shares or rights to shares, otherwise than pursuant to an employee share scheme, is restricted
- under the Companies Act, the Directors of a company are, with certain exceptions, unable to allot any equity securities without express authorisation, which may be contained in a company's articles of association or given by its shareholders in a general meeting, but which in either event cannot last for more than five years
- under the Companies Act, a company may also not allot shares for cash (otherwise than pursuant to an employee share scheme) without first making an offer to existing shareholders to allot such shares to them on the same or more favourable terms in proportion to their respective shareholdings, unless this requirement is waived by a special resolution of the shareholders

Restrictions on transfers of shares

- Directors may, in their absolute discretion, refuse to register the transfer of a share in certificated form which is not fully paid, provided that such a refusal would not prevent dealings in shares in certificated form which are not fully paid from taking place on an open and proper basis
- the Directors may also refuse to register a transfer of a share in certificated form (whether fully paid or not) unless the instrument of transfer: (1) is lodged, duly stamped, and is deposited at the registered office of the Company or such other place as the Directors may appoint and is accompanied by a certificate for the shares to which it relates and such other evidence as the Directors may reasonably require to show the right of the transferor to make the transfer; (2) is in respect of only one class of share; and (3) is in favour of not more than four transferees
- for uncertificated shares, transfers shall be registered only in accordance with the terms of the Uncertificated Securities Regulations 2001 so that Directors may refuse to register a transfer which would require shares to be held jointly by more than four persons
- if the Directors refuse to register a share transfer, they must give the transferee notice of this refusal as soon as practicable and in any event within two months of the instrument of transfer being lodged with the Company

Repurchase of shares

- subject to authorisation by shareholder resolution, the Company may purchase its own shares in accordance with the Companies Act
- any shares which have been bought back may be held as treasury shares or, if not so held, must be cancelled immediately upon completion of the purchase, thereby reducing the amount of the Company's issued share capital

Other Information

Articles of Association
Continued

Directors

Appointment and retirement

- a Board of Directors of not fewer than five Directors and not subject to any maximum (unless otherwise determined by ordinary resolution of shareholders)
- Directors and the Company (by ordinary resolution) may appoint a person who is willing to act as a Director
- all Directors must retire from office at each annual general meeting and seek re-election, except any Director appointed by the Board after notice of that annual general meeting has been given and before the annual general meeting has been held. All of the Directors of the Company will be subject to re-election at the forthcoming annual general meeting to be held on 24 April 2024 in accordance with the Articles
- fees for Non-Executive Directors and the Chair are determined by the Directors but cannot currently exceed in aggregate an annual sum of £2,500,000, unless determined otherwise by ordinary resolution of the shareholders. This is subject to the provision that any Director who holds any other office in the Company (including for this purpose, the office of Chair of the Board), serves on any committee of the Board, or performs services that the Directors consider go beyond the ordinary duties of a Director may be paid such additional remuneration as the Directors may determine
- the remuneration of the Executive Directors is determined by the Remuneration Committee, which comprises independent Non-Executive Directors

Disclosure of interests

- the Articles require disclosure, subject to certain limited exceptions, of Directors' interests in transactions that may result in a conflict of interest, including those which may arise as a result of the Director's office or employment or persons connected with such Director, and identify procedures to resolve such conflicts of interest

Meetings and voting

- the quorum for a meeting of Directors is two Directors
- the Directors may delegate any of their powers to a person or a committee
- the Articles place a general prohibition on a Director voting at a Board meeting on any matter in which they have an interest other than by virtue of their interest in shares in the Company
- the Articles restrict a Director's ability to vote on any resolution concerning a matter in which such Director has a material interest, unless such Director's interest arises only because the resolution relates to the giving of guarantees; the provision of indemnities; insurance proposals; retirement benefits; and other specified transactions or arrangements with a company in which the Director may have an indirect interest

Borrowing powers

- the Directors may exercise all the powers of the Company to borrow money and to mortgage or charge its undertaking, property, assets (present and future) and uncalled capital
- the Directors may also issue debentures, debenture stock and other securities

Additional disclosures

Disclosure of ownership of shares

- there are no provisions in the Articles whereby persons acquiring, holding or disposing of a certain percentage of the Company's ordinary shares are required to make disclosure of their ownership percentage, although there are such requirements under statute and regulation

Director retirement

- there is no requirement for a Director to retire on reaching any age

Sinking funds

- there is no sinking fund provision in the Articles applicable to the Company's ordinary shares

Limitations on voting and shareholding

- there are no limitations under the Articles restricting the right of non-resident or foreign owners to hold or vote ordinary shares in the Company

Distribution of assets on a winding up

- if the Company is wound up, the liquidator may, with the sanction of a special resolution and any other sanction required by law, divide among the members in specie the whole or any part of the assets of the Company and may, for that purpose, value any assets and determine how the division shall be carried out as between the members or different classes of members
- the liquidator may, with the like sanction, vest the whole or any part of the assets in trustees upon such trusts for the benefit of the members as he may with the like sanction determine, but no member shall be compelled to accept any assets upon which there is a liability

Anti-takeover devices and change of control

- there are no provisions in the Articles that would have the effect of delaying, deferring or preventing a takeover, or change of control, of the Company
- under English law, the Company's Directors have a fiduciary duty to take only those actions that are in the interests of the Company and any anti-takeover devices employed by the Directors in the future, if any, must accordingly be in the interests of the Company
- the Company is also subject to the City Code on Takeovers and Mergers (the "City Code"), which governs the conduct of mergers and takeovers in the UK. Any takeover of the Company would have to be in accordance with the City Code

Purchase of Shares

Renewal of Authority for Company to Purchase Own Shares

Current authority to purchase shares	– this authority (granted at the 2023 AGM) will expire at the 2024 AGM; and – renewed authority to purchase the Company's ordinary shares in order that the appropriate mechanisms are in place to enable the share buy-back programme to be reinstated at any time and authority would be exercised when, in the opinion of the Directors, the exercise of the authority would result in an increase in the Company's earnings per share and would be in the interest of its shareholders generally.
Proposed authority to purchase shares	– the minimum price that may be paid for such shares is 25p, and the maximum price is the higher of: (i) an amount equal to 105% of the average of the middle-market prices shown in the quotation for an ordinary share as derived from the LSE Daily Official List for the five business days immediately preceding the day on which the ordinary share is contracted to be purchased; and (ii) the higher of the price of the last independent trade and the highest current independent bid for an ordinary share in the Company on the trading venues where the market purchases by the Company will be carried out; – in the absence of the necessary practical arrangements, the proposed authority has not been extended to enable BAT to purchase its own ordinary shares on the JSE in South Africa or the NYSE in the form of ADSs; and – further details are set out in the Notice of Annual General Meeting 2024 which is made available to all shareholders and is published on bat.com.
Treasury shares	– at 31 December 2023, the number of treasury shares was 220,533,855 (2022: 221,000,192); no dividends are paid on treasury shares; treasury shares have no voting rights; and treasury shares may be resold at a later date.

Purchases of Equity Securities by the Issuer and Affiliated Purchasers

At the AGM on 19 April 2023, authorisation was given to the Company to repurchase up to 223.5 million ordinary shares for the period until the next AGM in 2024. This authorisation is renewed annually at the AGM. No ordinary shares were repurchased by the Company during 2023.

The following table provides details of ordinary share purchases made by the trustees of employee share ownership plans ("ESOPs") and other purchases of ordinary shares made to satisfy the commitments to deliver shares under certain employee share-based payment plans.

Purchases of Shares

	Total number of ordinary shares purchased by ESOP or certain employee share-based plans[1]	Average price paid per ordinary share £	Total number of ordinary shares purchased as part of a publicly announced plan[2]	The maximum number of ordinary shares that may yet be purchased as part of a publicly announced plan
2023				
04-January	2,826	33.539298	—	—
01-February	2,933	31.116953	—	—
02-February	20,931	31.268100	—	—
01-March	3,052	31.432500	—	—
03-April	190,706	28.729770	—	—
05-April	3,648	28.122500	—	—
11-April	1,039	28.330000	—	—
11-April	655,937	28.500572	—	—
12-April	975,509	28.553707	—	—
13-April	463,147	28.142100	—	—
26-April	158,024	30.163800	—	—
03-May	3,432	28.685000	—	—
03-May	23,409	28.835500	—	—
07-June	3,788	26.229688	—	—
05-July	3,838	26.307510	—	—
02-August	3,843	25.755000	—	—
18-August	30,130	25.160438	—	—
06-September	3,887	25.690000	—	—
04-October	4,004	25.135579	—	—
01-November	4,113	24.737645	—	—
03-November	30,021	25.267326	—	—
06-December	4,446	23.089550	—	—

Notes:
1. All share purchases were of ordinary shares of 25p each and were open market transactions. No purchase of ADSs took place during the year ended 31 December 2023.
2. There was no publicly announced plan for BAT to purchase its own ordinary shares or ADSs during the year ended 31 December 2023.

Other Information

Group Employee Trust

The British American Tobacco Group Employee Trust (BATGET)

Function	– used to satisfy the vesting and exercise of awards of ordinary shares under the BAT Deferred Share Bonus Scheme and Long-Term Incentive Plans; and – a committee of senior management reporting to the Board's Share Schemes Committee monitors the number of ordinary shares held in BATGET to satisfy outstanding awards.
Funding	– funded by interest-free loan facilities from the Company totalling £1 billion; – this enables BATGET to facilitate the purchase of ordinary shares to satisfy the future vesting or exercise of options and awards; – loan to BATGET: £470.65 million at 31 December 2023 (2022: £370.51 million); – the loan is either repaid from the proceeds of the exercise of options or, in the case where ordinary shares acquired by BATGET are used to satisfy the vesting and exercise of awards, the Company will subsequently waive the loan provided over the life of the awards; and – if any options or awards lapse, ordinary shares may be sold by BATGET to cover the loan repayment.

		1 Jan 2023	31 Dec 2023
Ordinary shares held in BATGET	Number of ordinary shares	**5,621,012**	**5,613,369**
	Market value of ordinary shares	**£184.5m**	**£128.85m**
	% of issued share capital of Company	**0.23**	**0.23**
Dividends paid in 2023	– BATGET currently waives dividends on the ordinary shares held by it; and – quarterly interim dividends waived: £12.91 million across 2023.		
Voting rights	– the trustee does not exercise any voting rights while ordinary shares are held in BATGET; and – share scheme participants may exercise the voting rights attaching to those ordinary shares once the ordinary shares have been transferred out of BATGET.		

Notes:
1. Company share–based payment arrangements: details of the material equity share-based and cash-settled share-based arrangements are set out in note 28 in the Notes on the Accounts.
2. The values of ordinary shares shown are based on the closing mid-market share price on 29 December 2023: 2,296p (30 December 2022: 3,282p).
3. No ADSs are held by BATGET.

American Depositary Shares

Fees and Charges Payable by ADS Holders

Citibank, N.A. (Citibank) was appointed as the depositary bank (the "Depositary") for BAT's ADS programme pursuant to the Amended and Restated Deposit Agreement dated 1 December 2008 and amended as of 14 February 2017 and 14 June 2017 between BAT, the Depositary and the owners and holders of ADSs (the "Deposit Agreement"). Citibank was reappointed as the Depositary pursuant to the Second Amended and Restated Deposit Agreement dated 26 November 2018 (the "Restated Deposit Agreement") and pursuant to a Letter Agreement effective from 1 December 2023 (the "Letter Agreement").

The Restated Deposit Agreement provides that ADS holders may be required to pay various fees to the Depositary, and the Depositary may refuse to provide any service for which a fee is assessed until the applicable fee has been paid.

Service	Fees
Issuance of ADSs upon deposit of ordinary shares (excluding issuances as a result of distributions of shares described below)	Up to US$0.05 per ADS issued[1]
Cancellation of ADSs	Up to US$0.05 per ADS surrendered[1]
Distribution of cash dividends or other cash distributions (i.e., sale of rights and other entitlements)	Up to US$0.05 per ADS held[2]
Distribution of ADSs pursuant to: (1) stock dividends or other free stock distributions; or (2) exercise of rights to purchase additional BAT ADSs	Up to US$0.05 per ADS held
Distribution of securities other than ADSs or rights to purchase additional ADSs (i.e., spinoff shares)	Up to US$0.05 per ADS held
Depositary bank services	Up to US$0.05 per ADS held

Notes:
1. Under the terms of a separate agreement between BAT and the Depositary, the Depositary has agreed to waive the fees that would otherwise be payable in connection with the issuance of ADSs upon deposit of ordinary shares and the cancellation of ADSs and corresponding withdrawal of ordinary shares, in each case by BAT or any of its affiliates, officers, directors or employees. The terms of this separate agreement may be amended at any time by BAT and the Depositary.
2. While under the Restated Deposit Agreement cash dividends paid in respect of ADSs are subject to a fee of up to US$0.05 per ADS payable to the Depositary, currently, under the terms of the separate agreement between BAT and the Depositary referred to above, such dividends are instead subject to a fee of up to US$0.02 per ADS per year (a fee of US$0.005 per dividend based on the distribution of four quarterly cash dividends per year). Under the terms of the Letter Agreement, with effect from 1 May 2024, such dividends are subject to a fee of up to US$0.04 per ADR per year (a fee of US$0.01 per dividend based on the distribution of four quarterly cash dividends per year). Under the Letter Agreement, this dividend fee may not be varied by the Depositary without the consent of BAT.

Contact details for Citibank Shareholder Services are on page 402.

In addition, ADS holders may be required under the Restated Deposit Agreement to pay the Depositary: (a) taxes (including applicable interest and penalties) and other governmental charges; (b) registration fees; (c) certain cable, telex and facsimile transmission and delivery expenses; (d) the expenses and charges incurred by the Depositary in the conversion of foreign currency; (e) such fees and expenses as are incurred by the Depositary in connection with compliance with applicable exchange control regulations and other regulatory requirements; and (f) the fees and expenses incurred by the Depositary, the custodian or any nominee in connection with the servicing or delivery of deposited securities. The Depositary may: (a) withhold dividends or other distributions or sell for the account of any ADS holder any or all of the shares underlying the ADSs in order to satisfy any tax or governmental charge; and (b) deduct from any cash distribution the applicable fees and charges of, and expenses incurred by, the Depositary and any taxes, duties or other governmental charges on account.

Fees and Payments Made by the Depositary to BAT

Under the terms of the contractual arrangements set out in the separate agreement between BAT and the Depositary referred to above, BAT received a total of approximately US$6.6 million from the Depositary, comprising fees charged in respect of dividends and a contribution to BAT's ADS programme administration costs for the year ended 31 December 2023.

In 2023, these programme administration costs principally included those associated with AGM proxy mailings, exchange listing and regulatory fees, foreign private issuer analysis, legal fees, share registration fees and other expenses incurred by BAT in relation to the ADS programme.

Under these contractual arrangements, the Depositary has also agreed to waive certain standard fees associated with the administration of the ADS programme.

Other Information

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 Depositary 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 or at www.investorcentre.co.uk/contactus

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 388 and 389.

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 390 and 393 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 U.S. 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/scamsmart, 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

This Annual Report and Form 20-F 2023 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 this Annual Report and Form 20-F 2023.

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 this Annual Report and Form 20-F 2023 do not form part of this Annual Report unless specifically incorporated by reference.

The Company is subject to the information requirements of the U.S. 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.

The Company's agent for service in the United States for the purposes of the registration statement on Form F-3 (333-265958) is Puglisi & Associates, 850 Library Avenue, Suite 204, Newark, DE 19711 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 2024

Wed 24 April at 11:30am	**Annual General Meeting** 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.
Thurs 25 July	**Half-Year Report**

Exhibits

The following documents are filed in the SEC EDGAR system, as part of this Annual Report on Form 20-F, and can be viewed on the SEC's website, www.sec.gov:

Exhibit Number	Description
1	Articles of Association of British American Tobacco p.l.c.[1]
2.1	Second Amended and Restated Deposit Agreement, dated as of 26 November 2018, by and among British American Tobacco p.l.c., Citibank, N.A., as depositary bank, and all holders and beneficial owners of American Depositary Shares issued thereunder[2].
2.2	Indenture, dated as of 15 August 2017, among British American Tobacco p.l.c. and certain of its subsidiaries as guarantors, and Wilmington Trust, National Association, as Trustee.[3]
2.3	Supplemental Indenture No. 1, dated as of 28 September 2018, among British American Tobacco p.l.c. and certain of its subsidiaries as guarantors, and Wilmington Trust, National Association, as Trustee.[4]
2.4	Indenture, dated as of 6 September 2019, by and among B.A.T Capital Corporation, the Guarantors party thereto and Citibank, N.A., as trustee, authentication agent, transfer agent, registrar, calculation agent and initial paying agent.[5]
2.5	Supplemental Indenture No. 1, dated as of 6 September 2019, by and among B.A.T Capital Corporation, the Guarantors party thereto and Citibank, N.A., as Trustee.[6]
2.6	Supplemental Indenture No. 2, dated as of 6 September 2019, by and among B.A.T Capital Corporation, the Guarantors party thereto and Citibank, N.A., as Trustee.[7]
2.7	Supplemental Indenture No. 3, dated as of 6 September 2019, by and among B.A.T Capital Corporation, the Guarantors party thereto and Citibank, N.A., as Trustee.[8]
2.8	Supplemental Indenture No. 4, dated as of 6 September 2019, by and among B.A.T Capital Corporation, the Guarantors party thereto and Citibank, N.A., as Trustee.[9]
2.9	Supplemental Indenture No. 5, dated as of 2 April 2020, by and among B.A.T Capital Corporation, the Guarantors party thereto and Citibank, N.A., as Trustee.[10]
2.10	Supplemental Indenture No. 6, dated as of 2 April 2020, by and among B.A.T Capital Corporation, the Guarantors party thereto and Citibank, N.A., as Trustee.[11]
2.11	Supplemental Indenture No. 7, dated as of 2 April 2020, by and among B.A.T Capital Corporation, the Guarantors party thereto and Citibank, N.A., as Trustee.[12]
2.12	Supplemental Indenture No. 8, dated as of 25 September 2020, by and among B.A.T Capital Corporation, the Guarantors party thereto and Citibank, N.A., as Trustee.[13]
2.13	Supplemental Indenture No. 9, dated as of 25 September 2020, by and among B.A.T Capital Corporation, the Guarantors party thereto and Citibank, N.A., as Trustee.[14]
2.14	Supplemental Indenture No. 10, dated as of 25 September 2020, by and among B.A.T Capital Corporation, the Guarantors party thereto and Citibank, N.A., as Trustee.[15]
2.15	Supplemental Indenture No. 11, dated as of 25 September 2020, by and among B.A.T Capital Corporation, the Guarantors party thereto and Citibank, N.A., as Trustee.[16]
2.16	Supplemental Indenture No. 12, dated as of 16 March 2022, by and among B.A.T Capital Corporation, the Guarantors party thereto and Citibank, N.A., as Trustee.[17]
2.17	Supplemental Indenture No. 13, dated as of 16 March 2022, by and among B.A.T Capital Corporation, the Guarantors party thereto and Citibank, N.A., as Trustee.[18]
2.18	Supplemental Indenture No. 14, dated as of 24 March 2022, by and among B.A.T Capital Corporation, the Guarantors party thereto and Citibank, N.A., as Trustee.[19]
2.19	Supplemental Indenture No. 15, dated as of 19 October 2022, by and among B.A.T Capital Corporation, the Guarantors party thereto and Citibank, N.A., as Trustee.[20]
2.20	Supplemental Indenture No. 16, dated as of 2 August 2023, by and among B.A.T Capital Corporation, the Guarantors party thereto and Citibank, N.A., as Trustee.[21]
2.21	Supplemental Indenture No. 17, dated as of 2 August 2023, by and among B.A.T Capital Corporation, the Guarantors party thereto and Citibank, N.A., as Trustee.[22]
2.22	Supplemental Indenture No. 18, dated as of 2 August 2023, by and among B.A.T Capital Corporation, the Guarantors party thereto and Citibank, N.A., as Trustee.[23]
2.23	Supplemental Indenture No. 19, dated as of 2 August 2023, by and among B.A.T Capital Corporation, the Guarantors party thereto and Citibank, N.A., as Trustee.[24]
2.24	Indenture, dated as of 25 September 2020, by and among B.A.T. International Finance p.l.c., the Guarantors party thereto and Citibank, N.A., as trustee, authentication agent, transfer agent, registrar, calculation agent and initial paying agent.[25]
2.25	Supplemental Indenture No. 1, dated as of 25 September 2020, by and among B.A.T. International Finance p.l.c., the Guarantors party thereto and Citibank, N.A., as Trustee.[26]
2.26	Supplemental Indenture No. 2, dated as of 16 March 2022, by and among B.A.T. International Finance p.l.c., the Guarantors party thereto and Citibank, N.A., as Trustee.[27]

Other Information

Exhibits
Continued

Exhibit Number	Description
2.27	Supplemental Indenture No. 3, dated as of 2 August 2023, by and among B.A.T. International Finance p.l.c., the Guarantors party thereto and Citibank, N.A., as Trustee.[28]
2.28	Thirty-fourth Supplemental Trust Deed, dated 17 March 2022, by and among B.A.T. International Finance p.l.c., B.A.T Capital Corporation, B.A.T. Netherlands Finance B.V., British American Tobacco p.l.c. and the Law Debenture Trust Corporation p.l.c., further modifying the Trust Deed, dated as of 6 July 1998 (as previously modified and restated) relating to the US$3,000,000,000 (now £25,000,000,000) Euro Medium Term Note Programme.[29]
2.29	Description of Securities registered under Section 12 of the Exchange Act.
4.1	Rules of the British American Tobacco 2007 Long-Term Incentive Plan.[30]
4.2	Rules of the British American Tobacco 2016 Long-Term Incentive Plan (Amended and Restated as of 20 March 2023).
4.3	British American Tobacco p.l.c. Deferred Annual Share Bonus Scheme.[31]
4.4	Annex to British American Tobacco p.l.c. Deferred Annual Share Bonus Scheme.[32]
4.5	British American Tobacco p.l.c. 2019 Deferred Annual Share Bonus Scheme (Amended and Restated as of 20 March 2023).
4.6	Rules of the British American Tobacco Restricted Share Plan (Amended and Restated as of 20 March 2023).
4.7	Deferred Compensation Plan for Directors of Reynolds American Inc. (Amended and Restated Effective 30 November 2007).[33]
4.8	Service Contract between British American Tobacco p.l.c. and Tadeu Marroco, dated as of 14 May 2023.
4.9	Master Settlement Agreement, referred to as the MSA, dated 23 November 1998, between the Settling States named in the MSA and the Participating Manufacturers also named therein.[34]
4.10	Settlement Agreement dated 25 August 1997, between the State of Florida and settling defendants in The State of Florida v. American Tobacco Co.[35]
4.11	Comprehensive Settlement Agreement and Release dated 16 January 1998, between the State of Texas and settling defendants in The State of Texas v. American Tobacco Co.[36]
4.12	Settlement Agreement and Release in re: The State of Minnesota v. Philip Morris, Inc., by and among the State of Minnesota, Blue Cross and Blue Shield of Minnesota and the various tobacco company defendants named therein, dated as of 8 May 1998.[37]
4.13	Settlement Agreement and Stipulation for Entry of Consent Judgment in re: The State of Minnesota v. Philip Morris, Inc., by and among the State of Minnesota, Blue Cross and Blue Shield of Minnesota and the various tobacco company defendants named therein, dated as of 8 May 1998.[38]
4.14	Form of Consent Judgment by Judge Kenneth J. Fitzpatrick, Judge of District Court in re: The State of Minnesota v. Philip Morris, Inc.[39]
4.15	Stipulation of Amendment to Settlement Agreement and for Entry of Agreed Order dated 2 July 1998, by and among the Mississippi Defendants, Mississippi and the Mississippi Counsel in connection with the Mississippi Action.[40]
4.16	Stipulation of Amendment to Settlement Agreement and for Entry of Consent Decree dated 24 July 1998, by and among the Texas Defendants, Texas and the Texas Counsel in connection with the Texas Action.[41]
4.17	Stipulation of Amendment to Settlement Agreement and for Entry of Consent Decree dated 11 September 1998, by and among the State of Florida and the tobacco companies named therein.[42]
4.18	Term Sheet agreed to by R. J. Reynolds Tobacco Company, an indirect subsidiary of Reynolds American Inc., certain other Participating Manufacturers, 17 states, the District of Columbia and Puerto Rico.[43]
4.19	Revolving credit facilities agreement, dated as of 6 March 2023, among British American Tobacco p.l.c., B.A.T. International Finance p.l.c., B.A.T. Netherlands Finance B.V. and B.A.T Capital Corporation, as borrowers, British American Tobacco p.l.c., as guarantor, HSBC Bank plc, as agent and euro swingline agent, HSBC Bank USA, National Association, as U.S. agent and US$ swingline agent, and the banks and financial institutions party thereto.
4.20	Settlement Agreement dated February 1, 2024 between Nicoventures Trading Limited and Philip Morris Products S.A.[44]
8	List of Subsidiaries included on pages 312 to 321 in this report.
11	Code of Ethics.[45]
12	Certification pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.
13	Certification under Section 906 of the Sarbanes-Oxley Act of 2002.[46]
15	Consent of KPMG LLP, independent registered public accounting firm.
17	Guarantor Subsidiaries of the Registrant (included as part of Exhibit 2.29).
97	BAT Group Malus and Clawback Policy for Senior Executives.
101	Interactive Data Files (formatted in XBRL (Extensible Business Reporting Language) and furnished electronically).

Notes:

1. Incorporated by reference to Exhibit 99.1 to British American Tobacco p.l.c.'s Form 6-K filed on 19 April 2023.
2. Incorporated by reference to Exhibit 4.1 to BAT's Registration Statement on Form S-8 (Reg. No. 333-237186) filed on 16 March 2020.
3. Incorporated by reference to Exhibit 2.4 to BAT's Annual Report on Form 20-F for the year ended 31 December 2017 filed on 15 March 2018.
4. Incorporated by reference to Exhibit 4.2 to BAT's Registration Statement on Form F-4 (Reg. No. 333-227658) filed on 2 October 2018.
5. Incorporated by reference to Exhibit 4.1 to British American Tobacco p.l.c.'s Form 6-K filed on 6 September 2019.
6. Incorporated by reference to Exhibit 4.2 to British American Tobacco p.l.c.'s Form 6-K filed on 6 September 2019.
7. Incorporated by reference to Exhibit 4.3 to British American Tobacco p.l.c.'s Form 6-K filed on 6 September 2019.
8. Incorporated by reference to Exhibit 4.4 to British American Tobacco p.l.c.'s Form 6-K filed on 6 September 2019.
9. Incorporated by reference to Exhibit 4.5 to British American Tobacco p.l.c.'s Form 6-K filed on 6 September 2019.
10. Incorporated by reference to Exhibit 4.1 to British American Tobacco p.l.c.'s Form 6-K filed on 2 April 2020.
11. Incorporated by reference to Exhibit 4.2 to British American Tobacco p.l.c.'s Form 6-K filed on 2 April 2020.
12. Incorporated by reference to Exhibit 4.3 to British American Tobacco p.l.c.'s Form 6-K filed on 2 April 2020.
13. Incorporated by reference to Exhibit 4.2 to British American Tobacco p.l.c.'s Form 6-K filed on 25 September 2020.
14. Incorporated by reference to Exhibit 4.3 to British American Tobacco p.l.c.'s Form 6-K filed on 25 September 2020.
15. Incorporated by reference to Exhibit 4.4 to British American Tobacco p.l.c.'s Form 6-K filed on 25 September 2020.
16. Incorporated by reference to Exhibit 4.5 to British American Tobacco p.l.c.'s Form 6-K filed on 25 September 2020.
17. Incorporated by reference to Exhibit 4.1 to British American Tobacco p.l.c.'s Form 6-K filed on 16 March 2022.
18. Incorporated by reference to Exhibit 4.2 to British American Tobacco p.l.c.'s Form 6-K filed on 16 March 2022.
19. Incorporated by reference to Exhibit 4.1 to British American Tobacco p.l.c.'s Form 6-K filed on 24 March 2022.
20. Incorporated by reference to Exhibit 4.1 to British American Tobacco p.l.c.'s Form 6-K filed on 19 October 2022.
21. Incorporated by reference to Exhibit 4.1 to British American Tobacco p.l.c.'s Form 6-K filed on 2 August 2023.
22. Incorporated by reference to Exhibit 4.2 to British American Tobacco p.l.c.'s Form 6-K filed on 2 August 2023.
23. Incorporated by reference to Exhibit 4.3 to British American Tobacco p.l.c.'s Form 6-K filed on 2 August 2023.
24. Incorporated by reference to Exhibit 4.4 to British American Tobacco p.l.c.'s Form 6-K filed on 2 August 2023.
25. Incorporated by reference to Exhibit 4.1 to British American Tobacco p.l.c.'s Form 6-K filed on 25 September 2020.
26. Incorporated by reference to Exhibit 4.6 to British American Tobacco p.l.c.'s Form 6-K filed on 25 September 2020.
27. Incorporated by reference to Exhibit 4.3 to British American Tobacco p.l.c.'s Form 6-K filed on 16 March 2022.
28. Incorporated by reference to Exhibit 4.5 to British American Tobacco p.l.c.'s Form 6-K filed on 2 August 2023.
29. Incorporated by reference to Exhibit 4.1 to British American Tobacco p.l.c.'s Registration Statement on Form F-3 (Reg. No. 333-265958) filed on 1 July 2022.
30. Incorporated by reference to Exhibit 10.6 to BAT's Registration Statement on Form F-4 (Reg. No. 333-217939) filed on 12 May 2017.
31. Incorporated by reference to Exhibit 10.8 to BAT's Registration Statement on Form F-4 (Reg. No. 333-217939) filed on 12 May 2017.
32. Incorporated by reference to Exhibit 4.6 to BAT's Annual Report on Form 20-F for the year ended 31 December 2018 filed on 15 March 2019.
33. Incorporated by reference to Exhibit 10.43 to Reynolds American Inc.'s Annual Report on Form 10-K for the fiscal year ended 31 December 2007 filed on 27 February 2008.
34. Incorporated by reference to Exhibit 4 to R.J. Reynolds Tobacco Holdings, Inc.'s Form 8-K dated 24 November 1998.
35. Incorporated by reference to Exhibit 2 to R.J. Reynolds Tobacco Holdings, Inc.'s Form 8-K dated 5 September 1997.
36. Incorporated by reference to Exhibit 2 to R.J. Reynolds Tobacco Holdings, Inc.'s Form 8-K dated 27 January 1998.
37. Incorporated by reference to Exhibit 99.1 to R.J. Reynolds Tobacco Holdings, Inc.'s Quarterly Report on Form 10-Q for the quarter ended 30 March 1998 filed on 15 May 1998.
38. Incorporated by reference to Exhibit 99.2 to R.J. Reynolds Tobacco Holdings, Inc.'s Quarterly Report on Form 10-Q for the quarter ended 30 March 1998 filed on 15 May 1998.
39. Incorporated by reference to Exhibit 99.3 to R.J. Reynolds Tobacco Holdings, Inc.'s Quarterly Report on Form 10-Q for the quarter ended 30 March 1998 filed on 15 May 1998.
40. Incorporated by reference to Exhibit 99.2 to R.J. Reynolds Tobacco Holdings, Inc.'s Quarterly Report on Form 10-Q for the quarter ended 30 June 1998 filed on 14 August 1998.
41. Incorporated by reference to Exhibit 99.4 to R.J. Reynolds Tobacco Holdings, Inc.'s Quarterly Report on Form 10-Q for the quarter ended 30 June 1998 filed on 14 August 1998.
42. Incorporated by reference to Exhibit 99.1 to R.J. Reynolds Tobacco Holdings, Inc.'s Quarterly Report on Form 10-Q for the quarter ended 30 September 1998 filed on 12 November 1998.
43. Incorporated by reference to Exhibit 10.1 to Reynolds American Inc.'s Form 8-K dated 12 March 2013.
44. Incorporated by reference to Exhibit 99.1 to British American Tobacco p.l.c.'s Form 6-K filed on 8 February 2024.
45. Incorporated by reference to Exhibit 11 to BAT's Annual Report on Form 20-F for the year ended 31 December 2021 filed on 8 March 2022.
46. These certifications are furnished only and are not filed as part of BAT's Annual Report on Form 20-F for the year ended 31 December 2023.

Certain instruments which define the rights of holders of long-term debt issued by BAT and its subsidiaries are not being filed because the total amount of securities authorised under each such instrument does not exceed 10% of the total consolidated assets of BAT and its subsidiaries. BAT agrees to furnish copies of any or all such instruments to the SEC on request.

Other Information

Glossary

Abbreviation	
ADR	American Depositary Receipt
ADS	American Depositary Share – 1 ADS is equivalent to 1 BAT ordinary share
AGM	Annual General Meeting
AME	Americas (excluding U.S.) and Europe
AmSSA	Americas (excluding U.S.) and Sub-Saharan Africa
APFO	Adjusted profit from operations
APME	Asia-Pacific and Middle East
APMEA	Asia-Pacific, Middle East and Africa
bps	Basis points
cc	Constant currency
CDP	Formerly the Carbon Disclosure Project
CGFO	Cash generated from operations
CO^2e	Carbon dioxide equivalent
Code	UK Corporate Governance Code, July 2018 version
CSR	Corporate Social Responsibility
CSRD	EU Corporate Sustainability Reporting Directive
DOJ	The United States Department of Justice
DSBS	Deferred share bonus scheme
EMTN	European Medium Term Notes
ENA	Europe and North Africa
EPS	Earnings per share
ESG	Environmental, Social and Governance
ERP	Enterprise Resource Planning
ESRS	European Sustainability Reporting Standards
EU	European Union
EURIBOR	Euro Interbank Offered Rate
FII GLO	Franked Investment Income Group Litigation Order
FCTC	Framework Convention on Tobacco Control
FMCG	Fast Moving Consumer Goods
FRC	UK Financial Reporting Council
GAAP	Generally Accepted Accounting Practice
GDB	Global Drive Brands, being Kent, Dunhill, Pall Mall, Lucky Strike and Rothmans
GDPR	EU General Data Protection Regulation
GDSB	Global Drive and Key Strategic Brands, being the GDBs, plus Shuang Xi and State Express 555
GJ	Gigajoules (of energy use)
HP	Heated Products (i.e., the devices, which include glo and our hybrid products). Heated Products are used to heat our Tobacco Heated Products or Herbal Heated Products
IASB	International Accounting Standards Board
IEIS	International Executive Incentive Scheme
IFRS	International Financial Reporting Standards as issued by the IASB and as adopted by the EU
ISA	International Standards on Auditing
JSE	Johannesburg Stock Exchange
KPI	Key performance indicator
LIBOR	London Interbank Offered Rate
LSE	London Stock Exchange
LR	Listing Rules
LTIP	Long-Term Incentive Plan
MCE	Million cigarettes equivalent
MSA	Master Settlement Agreement
NTO	Net turnover or revenue
NYSE	New York Stock Exchange
OCF	Operating cash flow
OECD	Organisation for Economic Co-operation and Development
OFAC	The United States Department of the Treasury's Office of Foreign Assets Control
OTP	Other tobacco products, including but not limited to roll-your-own, make-your-own and cigars
Parker Report	The Parker Review Committee's final report on ethnic diversity in UK boards published on 12 October 2017
PCAOB	Public Company Accounting Oversight Board
ppts	Percentage points
Reynolds American	Reynolds American Inc.
Reynolds American Companies	Reynolds American Inc. and its subsidiary companies
@ROCE	Return on capital employed@
RRPs	Reduced-risk Products
SAFL	Sustainable Agriculture and Farmer Livelihoods
SEC	United States Securities and Exchange Commission
SIP	Share incentive plan
SoBC	Group Standards of Business Conduct
SOFR	Secured Overnight Financing Rate
SONIA	Sterling Overnight Index Average
SOx	United States Sarbanes-Oxley Act of 2002
SRS	Share reward scheme
TaO	Programme to implement the new operating model, including one instance of SAP
TCFD	Taskforce on Climate-related Financial Disclosures
TDR	TDR d.o.o
THP	Tobacco Heated Product
THR	Tobacco Harm Reduction
TPD1	European Tobacco Products Directive (directive 2001/37/EC)
TPD2	European Tobacco and Related Products Directive (directive 2014/40/EU)
TSR	Total shareholder return
U.S.	United States of America
UURBS	Unfunded unapproved retirement benefit scheme
WHO	World Health Organization

Cross-Reference to Form 20-F

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