

Chair's Introduction

Transformation in Action

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Luc Jobin
Chair



In 2024, we saw yet another year of significant challenges across the globe, with continued economic and political volatility.

The impact of these issues was further exacerbated by high interest rates and inflation, alongside persistent cost-of-living pressures. As a result, major economies have witnessed changes in consumer confidence and buying behaviours.

Across our industry we have seen a rapid evolution of markets, like the U.S., for example, where cigarette volumes have declined at pace as adult consumers seek out both value-for-money combustible products and smokeless alternatives.

However, I believe that when changes and challenges arise, so do opportunities to grow, overcome and even thrive.

Transforming with Purpose

As a Board we have a responsibility to ensure that the Group delivers for stakeholders. In 2020, we began the journey of our A Better Tomorrow™ purpose. Four years on and our corporate purpose is being lived by thousands of colleagues globally. At the same time, our refined strategy is enabling us to navigate transformation with focus, enhanced execution and resilience.

2024 was a year for BAT to build, invest, innovate and refine for a sustainable future, and it is crucial that shareholders have a clear view of the path ahead.

We have invested in bolstering our U.S. business, and in new product development and launches across our categories, while thoughtfully extracting value from our combustibles franchise. All of this has been done through the lens of having a better understanding of adult consumers and our evolving industry.

It has never been more important to maintain both momentum and strategic focus, and I'm confident we will continue to do just that.

Driving Sustainable Change

Our Combined Annual and Sustainability Report gives a full view of BAT's business strategy and performance. It also outlines our progress towards our purpose of A Better Tomorrow™ and reaffirms our commitment to Building a Smokeless World.

This is the third year that we have embedded our sustainability data into our Annual Report. It is also the first year that we have refined some of our focus areas from a sustainability perspective, demonstrating our ongoing efforts to create a meaningful impact. You can read more about our refined sustainability strategy on page 36.


Ultimately our goals have not changed. If anything, we are more acutely focused on how we reach them. Meaning how we migrate adult cigarette consumers actively, sustainably and responsibly to reduced-risk[†] Smokeless alternatives, and importantly, how we measure success. In doing so, BAT will be well positioned to deliver for investors, consumers and wider stakeholders, while employees can benefit from a purpose-driven business that they can feel excited about.

Our Values and Culture

A happy and engaged workforce moving in tandem typically leads to better performance, productivity and a sense of pride. It is here that our six corporate Values and cultural transformation play an important role, as they contribute to BAT's success and strategic delivery. The key is to bring everyone along on the journey, so expectations and behaviours are clear, along with what needs to be achieved.

To be an exciting and winning company means being a place where our people are passionate about what they do and the difference they make. It is also about understanding and being invested in BAT's success.



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Market Dynamics

With over one billion adult smokers in the world, there are many jurisdictions which, with the right regulatory approach, could see smoking rates decline faster through greater acceptance of Smokeless products.

We know that Tobacco Harm Reduction – encouraging smokers who would otherwise continue to smoke to switch completely to less risky alternatives[†] – is the fastest route to achieving a Smokeless World. This is why we're actively working with various stakeholders to make this a reality. The growth of adult smokers seeking Smokeless alternatives is a long-term, sectoral trend.

In many countries, the challenges presented by illicit trade continue to persist across the industry. This is a problem for both combustibles and New Category products, intensified by increasing costs in regions across the world. We believe more appropriate regulation and enforcement is needed to tackle these issues, and we welcome signs of increasing action.

Building a Smokeless World

Our aim to reduce the health impact of our business remains prominent, and one of the ways in which we are demonstrating our resolve on these issues is through our science.

We took a step forward in October by publishing a series of new industry-leading ambitions for our Vapour devices, supported by evidence-based solutions. 'BAT's Commitment to Responsible Vaping Products' is a comprehensive resource which sets out how we intend to tackle some of the most pressing societal concerns.

We believe that growth within the Smokeless category will be driven by sustained investment in our brands and targeted innovation to respond to the evolving tastes of adult consumers. With our multi-category portfolio, BAT is well placed to capitalise on this adult consumer shift to Smokeless products while continuing to manage the combustible cigarette business responsibly. Together with active portfolio management, we recognise that investing in our brands is fundamental to sustaining BAT's performance for the future.

Dividends and Share Buy-backs

Reflecting the confidence in our business and its future prospects, the Board has declared a dividend of 240.24p per ordinary share, payable in four equal instalments of 60.06p per ordinary share, to shareholders registered on the UK main register or the South Africa branch register and to American Depositary Shares (ADS) holders, each on the applicable record dates.

The dividends receivable by ADS holders in US dollars will be calculated based on the exchange rate on the applicable payment dates.

Further information on dividends can be found on pages 54 and 449 of the Annual Report and Form 20-F 2024.

As part of our active capital allocation, in March we launched a programme to buy back BAT ordinary shares worth £1.6 billion using proceeds from a partial share disposal of the Group's shareholding in ITC Limited (ITC). The first tranche of the programme saw the buy-back of BAT ordinary shares for a total amount of £700 million in 2024, with the remaining £900 million due to complete in 2025.

We continue to carefully review our capital allocation to provide value for shareholders and support the growth of BAT.

Board Changes

I was very pleased to welcome Soraya Benchikh to our Board this year.

Soraya joins the Board as Chief Financial Officer and Director, and she possesses extensive financial and leadership experience.

I would like to congratulate Soraya on her appointment, and I look forward to her contribution. With the breadth of experience and skills that we have on the Board, I am confident that our focus on accelerating our strategy will yield results.

Additionally, Uta Kemmerich-Keil will join the Board with effect from 17 February 2025. With her general management background in regulated industries and her experience in consumer, digital and strategic transformation, she makes a strong addition to our Board. Murray Kessler will step down from the Board with effect from 17 February 2025 and I would like to thank him for his contributions and wish him well in his new endeavours.

Summary and Outlook

It is encouraging that the outlook for the year ahead – according to some economists – is one of cautious optimism.

While it's fair to say that there are still some clouds on the horizon from a geopolitical and economic standpoint, our business has demonstrated time and time again that it is resilient. The diverse nature of our organisation, products, people and geographies are our strengths.

Building a sustainable future isn't always linear, and that was the priority for BAT in 2024. Looking ahead to the next few years, our efforts will be focused on delivery and innovation across the markets we serve globally.

Through continued investment in our brands and prioritising adult consumers and their preferences, the Board believes we are well placed to maximise opportunities in tobacco and nicotine as consumer preferences evolve. These markets remain attractive, and we are confident we have the right strategy in place, an exciting and winning culture, and the right people to deliver. Progress in these dimensions has bolstered our ability to execute consistently and sustainably. Tadeu discusses this in more detail on page 9.

BAT's Board and leadership team remain focused and confident in the Group's ability to deliver long-term, sustainable growth and value, while delivering A Better Tomorrow™.

Notes:

* Based on the weight of evidence and assuming a complete switch from cigarette smoking. These products are not risk free and are addictive.

† Our products as sold in the U.S., including Vuse, Velo, Grizzly, Kodiak, and Camel Snus, are subject to FDA regulation and no reduced-risk claims will be made as to these products without agency clearance.