



## **British American Tobacco p.l.c. (“BAT”) Shareholder Engagement Event 2021: Responses by Our Chairman, Richard Burrows, to Questions Submitted by Shareholders by the Deadline of 5.00pm UK Time on 14 April 2021**

*We would like to thank our shareholders for taking the time to submit questions on these important issues. Questions may have been summarised or thematically grouped as part of our response.*

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We received a number of questions from shareholders through our online portal.

Where multiple questions addressed the same topic, we have selected a representative question that best covers it.

And our first question is:

**You recently made an investment in Organigram. Could you elaborate on how this fits with the A Better Tomorrow™ strategy?**

To address the question, let me say at the outset that the collaboration with Organigram underscores our previously stated aim, and is one further step in BAT’s transformation journey, to go beyond tobacco and nicotine.

The deal will combine BAT’s extensive plant-based know-how and resources in R&D, with Organigram’s expertise in the development and production of high quality medical and adult-use recreational cannabis products. These products are legally available in Canada.

BAT’s multi-category strategy, which is key to our transformation, is about providing choice and meeting the evolving needs of adult consumers.

Our investment in Organigram is further proof of our commitment to accelerating our transformation toward building A Better Tomorrow™.

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The next question from a shareholder relates to Executive pay:

**With Executive pay often in the news, and given the competitive environment for international talent, what is your strategy to ensure BAT attracts and retains the best?**

In what is a very competitive international market for talent, we work hard to ensure that our pay structures are set appropriately, and that executive pay reflects performance delivered.

When management have delivered on their commitments, it is right that this is reflected appropriately in the performance assessment of the Group’s incentive plans versus established metrics.

The views of our shareholders are important in making remuneration decisions and we regularly hold meetings with shareholders and take their views into account when deciding on salary increases and executive remuneration policies.

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The next question from shareholders relates to protecting our intellectual property:

**What is your strategy for protecting the intellectual property around your innovations?**

BAT has a long history of innovation and a robust patent portfolio around our products and innovations.

We remain confident in the patent protection we have around our innovations.

We have made a significant investment in the development of our products and the IP we develop ensures we can protect our innovations and technology in order to drive competitive advantage and, ultimately, greater shareholder value.

Like any business, we reserve the right to challenge those who we believe infringe our patents or otherwise use our proprietary technology.

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The next question relates to Resolution 18: Authority for the Company to purchase its own shares. The question from a shareholder is as follows:

**Given resolution 18, what are BAT's capital allocation priorities?**

Thank you for the question.

As shareholders will have seen from our Full Year Results and Annual Report, the Company is in good financial health and our operational performance is strong, including our record level of cash generation in 2020.

We have clear priorities for how we use our cash, as we stated at our Full Year Results in February.

We remain clear to our capital allocation priorities with a commitment to a 65% dividend pay-out ratio, investing in New Categories and de-leveraging to around 3 times Adjusted Net debt to Adjusted EBITDA by the end of 2021.

As we have said previously, share buybacks are, of course, one possible use of our capital.

We are carrying great momentum into 2021, expect continued strong operational delivery, with revenue growth in the 3-5% constant currency range, and strong cash conversion.

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The next question is in relation to our farming supply chain in the US:

**Will BAT and Reynolds engage with FLOC, the Farm Labor Organizing Committee, a US farmworker union?**

BAT and Reynolds embrace their obligations under the United Nations Guiding Principles for Business and Human Rights to respect and help protect the rights of workers in its supply chain, including their rights of freedom of association.

Through our policies, our contracts with farmers and leaf suppliers, and our Sustainable Tobacco Production programme, BAT has created a global human rights due diligence system.

Reynolds has adopted these policies. Its contracts require growers to respect labour rights and specifically prohibit retaliation against workers.

Reynolds' human rights due diligence programme assesses 100% of its growers every year and provides a worker's rights hotline.

Reynolds stands ready to engage with FLOC to identify and evaluate opportunities to improve its programme and address FLOC's concerns.

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The last question for this shareholder engagement event is around BAT's Sustainability and ESG strategy. It is as follows:

**What are BAT's ESG (Environmental, Social, and Governance) priorities for the future?**

Sustainability has long been at the heart of our business, and our whole-of-society approach is key to our transformation journey.

We have been actively addressing our sustainability impacts for over 20 years and published our first social report in 2001.

Putting sustainability front and centre is an ongoing focus and we will continue to raise the bar and set ourselves new and increasingly ambitious targets.

We set ambitious ESG targets in 2020 – putting ESG front and centre - to grow the consumer base of our non-combustible products to 50 million and achieving carbon neutrality for our Scope 1 and 2 emissions by 2030 while eliminating unnecessary single-use plastic by 2025.

This year we went further and announced new, stretching targets, amongst them to aim for carbon neutrality across our entire value chain by 2050.

We are proud that our ESG efforts are being recognised externally through our inclusion in the Dow Jones Sustainability Indices for 19 consecutive years, our scores in leading



investor indices such as MSCI and Sustainalytics, and through our CDP Climate A-List status.

Sustainability is the real essence of our purpose-led strategy to build A Better Tomorrow™.

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I would now like to hand over to Luc who will introduce himself as your new Chairman.



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Any reference to 'reduced-risk products' in this document is based on the weight of evidence and assuming a complete switch from cigarette smoking. These products are not risk free and are addictive.



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