

British American Tobacco p.l.c.
Incorporated in England and Wales
(Registration number: 03407696)
Short name: BATS
Share code: BTI
ISIN number: GB0002875804

BRITISH AMERICAN TOBACCO p.l.c. (the "Company")

Annual Report for the Year Ended 31 December 2023

In compliance with Listing Rule 9.6.1 and Disclosure Guidance and Transparency Rule ("DTR") 4.1, the Company announces that the following documents have been published on its website: www.bat.com/annualreport:

- Annual Report and Form 20-F 2023 (the "Annual Report 2023"); and
- Combined Performance and ESG Summary 2023.

These documents have been submitted to the National Storage Mechanism and will shortly be available for inspection via the following link:

<https://data.fca.org.uk/#/nsm/nationalstoragemechanism>.

In addition, in accordance with Section 203.01 of the New York Stock Exchange Listed Company Manual, the Company announces that it filed its Annual Report on Form 20-F 2023 (the "Form 20-F 2023") with the Securities and Exchange Commission on 9 February 2024. The Form 20-F 2023 included audited financial statements for the year ended 31 December 2023. The Form 20-F 2023 will shortly be available on the Company's website at www.bat.com/annualreport and also online at www.sec.gov.

The Annual Report 2023 and other ancillary shareholder documents will be mailed and made available to shareholders on 14 March 2024. Investors have the option to receive a hard copy of the Company's complete audited financial statements, free of charge, upon request, by contacting the below:

United Kingdom	
British American Tobacco Publications	Telephone: +44 20 7511 7797 Email: bat@team365.co.uk
South Africa	
The Company's Representative Office	Telephone: +27 21 003 6712
United States	
Citibank Shareholder Services	Telephone: +1 888 985 2055 (toll-free) Email: citibank@shareholders-online.com

This announcement should be read in conjunction with the Company's Final Results announcement which was released to the market on 8 February 2024. Together these constitute the material required by DTR 6.3.5R to be communicated to the media in unedited full text through a Regulatory Information Service. This material is not a substitute for reading the full Annual Report 2023. Page numbers and cross-references in the extracted information below refer to page numbers in the Annual Report 2023. The following disclosures are set out in the appendices to this announcement:

- Appendix A: Group Principal Risks (pages 121 to 128 of the Annual Report 2023);

- Appendix B: Related Party Disclosures (pages 284 and 285 of the Annual Report 2023); and
- Appendix C: Directors' Responsibility Statement (page 193 of the Annual Report 2023).

C Dhokia
Deputy Secretary

9 February 2024

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APPENDIX A

"GROUP PRINCIPAL RISKS

Overview

The Principal Risks that may affect the Group are set out on the following pages.

Each risk is considered in the context of the Group's strategy and business model, as set out in this Strategic Report beginning on page 2 and page 18. On the following pages is a summary of each Principal Risk, its potential impact and management by the Group. The Group defines the Principal Risks as those assessed with a high impact and probable likelihood. Additionally, "Supply Chain Disruption", "Cyber Security", "Litigation" and "Solvency and liquidity" risks are also recognised as Principal Risks; they are not assessed as having high impact and probable likelihood but are material to the delivery of the Group's strategic objectives.

The Group has identified risks and is actively monitoring and mitigating these risks, including those related to climate change and other sustainability matters. This section focuses on those risks that the Directors believe to be the Principal Risks to the Group. Not all of these risks are within the control of the Group and other risks besides those listed may affect the Group's performance. Some risks may be unknown at present. Other risks, currently regarded as less material, could become material in the future. Clear accountability is attached to each risk through the risk owner.

The risks listed in this section and the activities being undertaken to manage them should be considered in the context of the Group's internal control framework. This process is described in the section on risk management and internal control in the corporate governance statement from page #. This section should also be read in the context of the cautionary statement on page 386. 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 from page 353.

Assessment of Group Principal Risks

During the year, the Directors carried out a robust assessment of the Principal Risks, uncertainties and emerging risks facing the Group, including those that could impact delivery of its strategic objectives, business model, future performance, solvency or liquidity.

Leading in Sustainability is a core component/key building block of our corporate strategy and sustainability risk factors are embedded across the Group's risks in accordance with how risks are managed within the Group.

Continued progress was made to further embed both climate-related and other sustainability risks into the Group Risk Management Framework.

Key risk initiatives include the introduction of the Group's inaugural Sustainability risk register and the development of a Climate Diagnostic Tool. Sustainability risks are assessed on a residual risk basis and are reviewed biannually and evaluated in terms of their relevance and materiality to the business, in accordance with the Group's risk management methodology. The Climate Diagnostic Tool will enable better understanding of the climate change impact to the Group's physical property locations and subsequent business interruption. These emphasise the Group's commitment to understand, mitigate, and manage risks that could impact the organisation as a whole, BAT's stakeholders and the wider environment.

The viability statement on 129 provides a broader assessment of long-term solvency and liquidity. The Directors considered a number of factors that may affect the resilience of the Group. Except for the

risk “Injury, illness or death in the workplace” which is not considered to be sufficiently material to impact the Group's overall viability assessment, the Directors also assessed the potential impact of the Principal Risks that may impact the Group’s viability.

Risks

Competition from illicit trade

Increased competition from illicit trade and illegal products – either local duty evaded, smuggled, counterfeits, or non-regulatory compliant, including products diverted from one country to another.

Time frame

Short-/medium-/long-term

Strategic impact

Quality Growth/Sustainable Future

Key Stakeholders

Consumers, Society, Shareholders & Investors

Considered in viability statement

Yes

Impact

Erosion of goodwill, with lower volumes and/or increased operational costs (e.g. track and trace costs) and reduced profits.

Reduced ability to take price increases.

Investment in trade marketing and distribution is undermined and the product is commoditised.

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

Breach of legislation, criminal offences, contract breaches under the EU Cooperation Agreement, allegations of facilitating smuggling and reputational damage, including negative perceptions of our governance.

Existence of illicit trade reduces our ability to reduce the health impact of our business, it undermines policies of state governments with respect to underage tobacco users and creates basis for inappropriate regulation.

Mitigation activities across all categories

Dedicated Anti-Illicit Trade (AIT) teams operating at regional and country levels; internal cross-functional levels; compliance procedures, toolkit and best practice shared.

Active engagement with key external stakeholders.

Cross-industry and multi-sector cooperation on a range of AIT issues.

Regional AIT strategy supported by a research programme to further the understanding of the size and scope of the problem.

AIT Engagement Teams (including a dedicated analytical laboratory and a forensic and compliance team) work with enforcement agencies as appropriate.

Geopolitical tensions

Geopolitical tensions, civil unrest, economic policy changes, global health crises, terrorism and organised crime have the potential to disrupt the Group’s business in multiple markets.

Time frame

Short-/medium-term

Strategic impact

Quality Growth/Sustainable Future

Key Stakeholders

Society, Our people, Shareholders & Investors

Considered in viability statement

Yes

Impact

Potential injury or loss of life, loss of assets and disruption to supply chains and normal business processes.

Increased costs due to more complex supply chain and security arrangements and/or the cost of building new facilities or maintaining inefficient facilities.

Lower volumes as a result of not being able to trade in a country.

Higher taxes or other costs of doing business as a foreign company or the loss of assets as a result of nationalisation.

Reputational damage, including negative perceptions of our governance and protection of our people and our ESG credentials. Disruption to the supply chain impacts our ability to reduce the health impact of our business.

Mitigation activities across all categories

Physical and procedural security controls are in place, and regularly reviewed in accordance with our Security Risk Management process, for all field force and supply chain operations, with an emphasis on the protection of Group employees.

Globally integrated sourcing strategy and contingency sourcing arrangements are in place.

Security risk modelling, including external risk assessments and the monitoring of geopolitical and economic policy developments worldwide.

Insurance coverage and business continuity planning, including scenario planning and testing, and risk awareness training.

Geopolitical assessment and monitoring by the Group Security Centre of Excellence and regions inform the Business Continuity Management organisation plans and responses to geopolitical risks, including readiness of Crisis Management Teams at all levels.

Tobacco, New Categories and other regulation interrupts growth strategy

The enactment of, proposals for, or rumours 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.

Time frame

Short-/medium-/long-term

Strategic impact

Quality Growth/Sustainable Future

Key Stakeholders

Consumers, Society, Shareholders & Investors

Considered in viability statement

Yes

Impact

A lack of acceptance or rejection of Tobacco Harm Reduction as a tobacco control policy could prevent a balanced regulatory framework for New Categories. Restricted ability to sell and communicate New Categories could lead to failure of the harm reduction objective and loss of confidence in the Group's ESG performance. Lack of appropriate regulation and its enforcement may impact our opportunity for quality growth and affect our ability to develop an outstanding pipeline of new products. Disproportionate regulations for New Categories, such as questionable regulatory classifications or total bans, that may not be science-based and/or risk-proportionate and that neither recognise unintended consequences nor respect legal rights (e.g. wrong regulatory classifications or total bans). Reduced ability to make scientific claims and compete in future product categories and make new market entries. Erosion of brand value through commoditisation and the inability to launch innovations may negatively affect our ability to generate value growth. Regulation with respect to bans or severe restrictions on menthol flavours, product design & features and nicotine levels may adversely impact individual brand portfolios. Reduced consumer acceptability of new product specifications, leading to consumers seeking alternatives in illegal markets or irresponsible operators exploiting regulatory loopholes. Shocks to share price on rumours of, or the announcement or enactment of, restrictive regulation (e.g. sales ban to future generations). Failure to deliver appropriate and proportionately costed Extended Producer Responsibility (EPR) schemes.

Mitigation activities across all categories

Establishment of Regulation and Science Committee, the objectives of which are to review the execution of the Group's regulatory, corporate, and science strategies, monitor the regulatory and science landscape, prioritize key regulatory and science initiatives and resource allocation.

Engagement and alignment across the Group to drive a balanced global policy framework for combustibles and New Categories.

Stakeholder mapping and prioritisation, developing robust compelling advocacy materials (with supporting evidence and data) and regulatory engagement programmes.

Regulatory risk assessment of marketing plans to ensure decisions are informed by an understanding of the potential regulatory environments.

Advocating the application of integrated regulatory proposals to governments and public health regulators and practitioners based on the harm reduction potential of New Categories.

Development of an integrated regulatory strategy that spans conventional combustibles and New Categories.

Training and capability programmes for End Markets to upskill Corporate and Regulatory Affairs managers on combustible and New Categories regulatory engagement, including product knowledge.

Direct access to online portal providing latest position and advocacy material for End Market engagement on combustibles and New Categories.

Working to define a sustainable EPR model and markets negotiating to implement effective EPR schemes.

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

Supply Chain disruption

Disruption to the global supply chain that may impact our ability to manufacture products or supply our consumers.

Time frame

Short-

Strategic impact

Quality Growth/Sustainable Future/Dynamic Business

Key Stakeholders

Consumers, Our people, Shareholders & Investors

Considered in viability statement

Yes

Impact

Disruption to the global supply chain may impact all aspects of our business and impede our ability to manufacture products and supply our consumers.

Disruption to supply chain can lead to volume shortfalls and inability to supply markets, increased replacement or/and rebuild costs consequently leading to reduced profit and reputational damage. This may affect our ability to reinvest into New Categories and deliver our Tobacco Harm Reduction commitment.

Loss of one or more key facilities or suppliers may cause loss of life and injuries. It may also lead to societal dislocation resulting in population migration and loss of key skills.

Our supply chain could be negatively impacted by events arising from, but not limited to natural disasters, man-made accidents, cyber incidents.

Mitigation activities across all categories

Group-wide business continuity plans (BCP) and contingency sourcing plans (CSP) in compliance with the new Business Continuity Management standard, are in place.

All factory CSPs are regularly updated, reviewed and desktop simulations conducted to ensure compliance with the Group's policy.

BCPs and disaster recovery plans for logistics providers are in place.

Unrest and Evacuation plans are in place.

Existence of insurance cover for Property Damage and Business Interruption.

Appropriate technical and organisational cyber security measures are in place.

Litigation

Product liability, regulatory or other significant cases (including investigations) may be lost or settled resulting in a material loss or other consequence.

Time frame

Short-/medium-/long-term

Strategic impact

Quality Growth/Sustainable future

Key Stakeholders

Shareholders & Investors

Considered in viability statement

Yes

Impact

Damages and fines, negative impact on reputation (including ESG credentials), disruption and loss of focus on the business.

Consolidated results of operations, cash flows and financial position could be materially affected by an unfavourable outcome or settlement of pending or future litigation, criminal prosecution or other contentious action, or by the costs associated with bringing proceedings or defending claims.

Inability to sell products as a result of an injunction arising out of a patent infringement action against the Group may restrict growth plans and competitiveness.

Potential share price impact.

Sustainability-related litigation could also result in a reduction in the investor base due to sustainability and sustainability-related concerns.

Mitigation activities across all categories

Consistent litigation and patent management strategy across the Group.

Expertise and legal talent maintained both within the Group and external partners, including for New Categories and sustainability-related matters.

Ongoing monitoring of key legislative and case law developments related to our business.

Delivery with Integrity compliance programme.

Driving the litigation strategy in relation to key regulatory issues.

Central management of strategic litigation impacting key regulatory processes.

Developing expert analysis on efficacy of various regulatory proposals.

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

Significant increases or structural changes in tobacco, nicotine and New Categories related taxes

The Group is exposed to unexpected and/or significant increases or structural changes in tobacco, nicotine and New Categories related taxes in key markets.

Time frame

Short-/medium-/long-term

Strategic impact

Quality Growth/Sustainable Future

Key Stakeholders

Consumers, Society, Shareholders & Investors

Considered in viability statement

Yes

Impact

Consumers reject the Group's legitimate tax-paid products for products from illicit sources or cheaper alternatives.

Reduced legal industry volumes.

Reduced sales volume and/or portfolio erosion leading to inability to invest in, develop, commercialise and deliver New Category products.

Partial absorption of excise increases leading to lower profitability.

Mitigation activities across all categories

Formal pricing and excise strategies, including Revenue Growth Management using a data science-led approach, with annual risk assessments and contingency plans across all products.

Pricing, excise and trade margin committees in markets, with global support.

Engagement with relevant local and international authorities where appropriate, in particular in relation to the increased risk to excise revenues from higher illicit trade.

Portfolio reviews to ensure appropriate balance and coverage across price segments.
Monitoring of economic indicators, government revenues and the political situation.

Inability to develop, commercialise and deliver the New Categories strategy

Risk of not capitalising on the opportunities in developing and commercialising successful, safe and consumer-appealing innovations.

Time frame

Short-/medium-/long-term

Strategic impact

Quality Growth/Sustainable Future/Dynamic Business

Key Stakeholders

Consumers, Society, Shareholders & Investors

Considered in viability statement

Yes

Impact

Failure to deliver Group strategic imperative, 2025 growth ambition and 2030 consumer targets.
Potentially missed opportunities, unrecoverable costs and/or erosion of brand, with lower volumes and reduced profits.

Reputational damage and recall costs may arise in the event of defective product design or manufacture.

Loss of market share due to non-compliance of product portfolio with regulatory requirements or inability to engage on our science, leading to a negative shift in sentiment and confidence in Group products.

Loss of investor confidence in ESG performance.

Failure to deliver our corporate purpose of harm reduction.

Mitigation activities across all categories

Focus on product stewardship to ensure high-quality standards across the portfolio.

Brand Expression, which sets out how our brand expresses itself (including through its logo, name, product, packaging, etc.) deployed to lead End Markets via activation workshops and best practices shared.

Generating sufficient IP to develop competitive and sustainable products.

Accelerating digital and consumer analytics along with data management platforms for enhanced methodologies, insight generation and line of sight across the Group.

R&D is accredited to ISO9001 standard and laboratories are accredited to ISO17025 for key methods.

Internal and external communications about BAT's science through publications and engagement.
Quality assurance reviews undertaken with key science suppliers to ensure appropriate standards in place.

Disputed taxes, interest and penalties

The Group may face significant financial penalties, including the payment of interest, in the event of an unfavourable ruling by a tax authority in a disputed area.

Time frame

Short-/medium term

Strategic impact

Quality Growth/Sustainable Future

Key Stakeholders

Shareholders & Investors

Considered in viability statement

Yes

Impact

Significant fines and potential legal penalties.

Disruption and loss of focus on the business due to diversion of management time.

Impact on profit and dividend.

Mitigation activities across all categories

End Market tax committees.

Internal tax function provides dedicated advice and guidance, and external advice sought where needed.

Engagement with tax authorities at Group, regional and individual market level.

Injury, illness or death in the workplace

The risk of injury, death or ill health to employees and those who work with the business is a fundamental concern of the Group and can have a significant effect on our operations.

Time frame

Short-term

Strategic impact

Quality Growth/Sustainable Future/Dynamic Business

Key Stakeholders

Our people

Considered in viability statement

No

Impact

Serious injuries, ill health, disability or loss of life suffered by employees and the people who work with the Group.

Exposure to civil and criminal liability and the risk of prosecution from enforcement bodies and the cost of associated legal costs, fines and/or penalties.

Interruption of Group operations if issues are not addressed promptly.

High staff turnover or difficulty recruiting employees if perceived to have a poor Environment, Health and Safety (EHS) record.

Reputational damage to the Group and negative impact on our ESG credentials.

Mitigation activities across all categories

Risk control systems in place to ensure equipment and infrastructure are provided and maintained.

EHS strategy aims to ensure that employees at all levels receive appropriate EHS training and information.

Behavioural-based safety programme to drive operations' safety performance, culture and closer to zero accidents.

Analysis of incidents undertaken regionally and globally by a dedicated team to identify increasing incident trends or high potential risks that require coordinated action.

Global monthly Health & Safety (H&S) Committee established, formed by senior members from the H&S and Operations Sustainability leadership team.

Solvency and liquidity

Liquidity (access to cash and sources of finance) is essential to maintaining the Group as a going concern in the short-term (liquidity) and medium-term (solvency).

Time frame

Short-/medium-term

Strategic impact

Quality Growth/Sustainable Future/Dynamic Business

Key Stakeholders

Shareholders & Investors

Considered in viability statement

Yes

Impact

Inability to access the Group's cash resources and to fund the business under the current capital structure resulting in missed strategic opportunities or inability to respond to threats.

Decline in our creditworthiness and increased funding costs for the Group.

Requirement to issue equity or seek new sources of capital.

Reputational risk of failure to manage the financial risk profile of the business, resulting in an erosion of shareholder value reflected in an underperforming share price.

Inability to mitigate accounting and economic exposures.

Economic loss as a result of devaluation/revaluation of assets (including cash) valued or held in local currency, and additional costs as a result of paying premiums to obtain hard currency.

Failure to appropriately engage with investors' and lenders' sustainability criteria and concerns may impact BAT's counterparty availability, credit ratings, access to funding, or may result in an increase in the cost of funding.

Exposure to the cannabis sector may lead to regulatory and legal risk, reputation and compliance issues restricting bank and/or investor access.

Mitigation activities across all categories

Group policies include a set of financing principles and key performance indicators, including the monitoring of credit ratings, interest cover, solvency and liquidity with regular reporting to the Corporate Finance Committee and the Board.

Controls in place to ensure full compliance with Sanctions regimes.

Plans implemented to manage the risk in key geographies.

The Group targets an average centrally managed debt maturity of at least five years with no more than 20% of centrally managed debt maturing in a single rolling year.

At 31 December 2023, the Group had access to a £5.38 billion revolving credit facility. In March 2023, the Group refinanced the £2.7 billion 364-day tranche of the revolving credit facility at the reduced amount of £2.5 billion, maturing in March 2024 with two one-year extension options, and a one-year term out option. Additionally, £3.0 billion of the five-year tranche remains available until March 2025, with £2.85 billion extended to March 2026 and £2.5 billion extended to March 2027.

Liquidity pooling structures are in place to ensure that there is maximum mobilisation of cash liquidity within the Group.
Going concern and viability support papers are presented to the Board on a regular basis.
Continued review of UK money laundering legislation and cannabis policy with financial partners.

Foreign exchange rates exposures

The Group faces translational and transactional foreign exchange (FX) rate exposure for earnings/cash flows from its global businesses.

Time frame

Short-/medium-term

Strategic impact

Short-/medium-term

Key Stakeholders

Shareholders & Investors

Considered in viability statement

Yes

Impact

Fluctuations in FX rates of key currencies against sterling introduce volatility in reported earnings per share (EPS), cash flow and the balance sheet driven by translation into sterling of our financial results and these exposures are not normally hedged.

The dividend may be impacted if the payout ratio is not adjusted.

Differences in translation between earnings and net debt may affect key ratios used by credit rating agencies.

Volatility and/or increased costs in our business, due to transactional FX, may adversely impact financial performance.

Mitigation activities across all categories

While translational FX exposure is not hedged, its impact is identified in results presentations and financial disclosures; earnings are restated at constant rates for comparability.

Debt and interest are matched to assets and cash flows to mitigate volatility where possible and economic to do so.

Hedging strategy for transactional FX is defined in the treasury policy, a global policy approved by the Board.

Illiquid currencies of many markets where hedging is either not possible or uneconomic are reviewed on a regular basis.

Climate Change and Circular Economy

Direct and indirect adverse impacts associated with climate change and the move towards a circular economy.

Time frame

Short-/medium-/long-term

Strategic impact

Quality Growth/Sustainable Future

Key Stakeholders

Consumers, Society, Shareholders & Investors

Considered in viability statement

Yes

Impact

Direct physical risks to BAT agricultural, manufacturing, operational and logistic processes may lead to reduced production capability, delays, volume shortfalls, disruption of energy supply (and other utilities) and business interruption.

Extreme temperatures and pollution could be harmful for employees, creating health and safety risks.

Failure to adequately manage supply chain risks associated with transitional and operational impacts (of climate change particularly) may cause increased volatility in supply volume, quality or cost of raw materials and services necessary for the effective and efficient operation of BAT's business across its value chain.

GHG emissions can indirectly increase costs of supply and delivery.

Punitive actions against the Group or ability to sell products in key markets, due to failure to comply in an effective, competitive or economic manner with evolving regulations and requirements relevant to business operations, products and supply chain, and reporting.

Technology risk increase due to write-offs and early retirement of existing assets. Additional cost required to deploy new practices and processes.

Poor ESG ratings by investors or platforms/indices used by them may lead to reduced access to capital, increased cost of capital or impact the share price.

Loss or damage to reputation may reduce market share and revenue, due to customers and/or consumers having a reduced or negative perception of BAT and its products in comparison to its competitors, or of specific products/product categories overall.

Negative impact upon the attraction, retention and motivation of skilled employees and contractors.

Inadequate waste management can increase negative public opinion on BAT and cause potential damage to brand value from loss of consumer trust, increased costs in jurisdictions where waste management is costly and/or insufficient.

Failure to adequately manage Group sustainability priorities like climate change, protection of natural resources and forest, human rights in leaf supply chain may restrict suppliers willing to do business with BAT.

Mitigation activities across all categories

The Group has a well-established Environmental Sustainability Committee and Operations Sustainability Forum. Sustainability matters overall, and climate change and circular economy specifically, are under the governance remit of the Audit Committee.

Life Cycle Assessment is used in the development and approval processes for new products to understand and improve their climate change and circular economy impacts.

Monitoring of climate change- and circular economy-related governmental policy and regulations, and taking proactive actions to meet and/or surpass it.

Working to mitigate climate change impacts and optimise circular economy alignment across the value chain by designing for the reuse and recycling of end-of-life products and increasing the use of recycled and environmentally preferable materials. Compliance assessment tool covering all significant touch points related to employee health and safety and environmental impact.

Circular economy strategy, Business Continuity and Contingency Sourcing plans.

Supplier Code of Conduct which defines the minimum standards expected for suppliers, including the requirement of adoption of BAT environmental procedures.

2023 review of future ESG reporting requirements and frameworks, globally, and increasing alignment with them, ahead of required timescales.

Ongoing increase in the reporting of sustainability information in the Group's Combined Annual and Sustainability Report and accompanying ESG Performance Data Book, including public provision to financial actors of information required by investors for their own sustainability reporting.

Internal and external goals and targets related to the risks and opportunities posed by climate change and circular economy to the Group's business and wider society, along with comprehensive programmes for review of progress against these goals.

Climate change- and circular economy-related objectives, targets and metrics publicly reported and externally assured and integrated into personal performance objectives of those functionally responsible for their delivery.

Driving innovation and collaboration through Btomorrow Ventures.

Cross-functional and cross-industry engagement on sustainability topics.

Cyber Security

Inability of the organisation to defend against an intentional or unintentional action that results in loss of confidentiality, availability or integrity of systems and data.

Time frame

Short-/medium-/long-term

Strategic impact

Quality Growth/Sustainable Future/Dynamic Business

Key Stakeholders

Consumers, Society, Our People, Shareholders & Investors

Considered in viability statement

Yes

Impact

Loss or theft of confidential business information, when used alone or in conjunction with any other available information 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 & 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.

Mitigation activities across all categories

The group implements physical, technical and administrative safeguards to mitigate risks of a cyber security incident, including security measures, such as defensive technologies, encryption, authentication, backup and recovery systems, to protect the confidentiality, integrity and availability of IDT systems and networks.

The Group's cyber security processes are regularly reviewed and updated to ensure these remain effective and aligned with our business objectives, regulatory obligations and industry standards.

Regular training and awareness programmes provided to Group employees and contractors on cyber security best practices and procedures and adherence to our SoBC.

Vendor management processes in place, including due diligence and contractual obligations, to ensure that third-party service providers adhere to BAT's cyber security requirements and standards. Development of business continuity plans to ensure that the Group can promptly respond to any potential or actual cyber security incident and minimise their impact on the business. Engagement with external assessors, consultants, auditors and other third parties to provide independent assurance and recommendations on cyber security matters. Engagement with relevant stakeholders on cyber security matters and being prepared to disclose any material cyber security risks or incidents in a timely and transparent manner.

Viability Statement

The Board has assessed the viability of the Group taking into account the current position and principal risks, in accordance with provision 31 of the UK Corporate Governance Code 2018. Whilst the Board believes the Group will be viable over a longer period, owing to the inherent uncertainty arising due to ongoing litigation and regulation, the period over which the Board considers it possible to form a reasonable expectation as to the Group's longer-term viability (that it will continue in operation and meet its liabilities as they fall due) is three years.

In making this assessment, the Board considered the Group's:

- strong cash generation from operating activities;
- access to, and ability to raise, external sources of financing, including the removal, in prior years, of any financial covenants in such credit facilities; and
- the current macro-economic environment, including the impact of inflation and higher interest rates.

This assessment included a robust review of the Group's operational and financial processes, (which cover both short-term financial forecasts and capacity plans) and the Principal Risks (as indicated on pages 117 to 121) that may impact the Group's viability. These are considered, with the mitigating actions, at least once a year. The assessment included a reverse stress test of the principal risks and did not identify any individual risk, based upon a prudent annual forecast, that would, if arising in isolation and without mitigation, impact the Group's viability within the three-year confirmation period. Furthermore, the Board recognised that even if all the principal risks arose simultaneously, given the underlying strong free cash flow generation before the payment of dividends (2022: £8.0 billion), the Group would be able to undertake mitigating actions to meet the liabilities as they fall due. The assessment also reviewed the potential impact of inflation on the Group's delivery and the impact of climate-related risks and concluded that these, including the potential cost implications and noting the mitigating actions, would not impact the Group's viability (see discussion commencing on page 70 with respect to TCFD).

The Board noted that the Group has access to a £5.7 billion credit facility (2022: undrawn), US (US\$4 billion) and Euro (£3 billion) commercial paper programmes (2022: £27 million drawn) and £3.0 billion of bilateral agreements which may be utilised to support the Group's ability to operate. However, the Group is subject to inherent uncertainties with regards to regulatory change and litigation, the outcome of which may have a bearing on the Group's viability. The Group maintains, as referred to in note 31 in the Notes on the Accounts 'Contingent Liabilities and Financial Commitments,' that, whilst it is impossible to be certain of the outcome of any particular case, the defences of the Group's companies to all the various claims are meritorious on both law and the facts. If an adverse judgment is entered against any of the Group's companies in any case, an appeal may be made, the duration of which can be reasonably expected to last for a number of years.

APPENDIX B

“RELATED PARTY DISCLOSURES

The Group has a number of transactions and relationships with related parties, as defined in IAS 24 Related Party Disclosures, all of which are undertaken in the normal course of business. Transactions with CTBAT International Limited (a joint operation) are not included in these disclosures as the results are immaterial to the Group.

Intercompany transactions and balances are eliminated on consolidation and therefore are not disclosed.

Transactions and balances with associates relate mainly to the sale and purchase of cigarettes and tobacco leaf. The Group's share of dividends from associates, included in other income in the table below, was £559 million (2022: £438 million; 2021: £392 million).

	2023 £m	2022 £m	2021 £m
Transactions			
– revenue	523	494	524
– purchases	(178)	(190)	(123)
– other income	560	441	393
– other expenses	(6)	(1)	(6)
Amounts receivable at 31 December	48	51	48
Amounts payable at 31 December	(4)	(4)	(3)

In November 2023, the Group announced the signing of an agreement for a further investment in Organigram. At 31 December 2023, the proposed investment of CAD\$125 million (approximately £74 million) was subject to customary conditions, including necessary approvals by the shareholders of Organigram, which was given on 18 January 2024. On 24 January 2024, BAT made the first tranche investment of CAD\$42 million (£24 million), acquiring a further 12,893,175 common shares of Organigram at a price of CAD\$3.22 per share. Subject to certain conditions, the remaining 25,786,350 shares subscribed for shall be issued at the same price in two further equal tranches by the end of August 2024 and February 2025 respectively. Based on Organigram's outstanding share capital at the end of 2023, this investment will increase the Group's equity position from c.19% to c.45% (restricted to 30% voting rights) once all three tranches have been completed.

In addition, as mentioned in note 27, in 2023, the Group also acquired 20% of DeFloria for £8 million and increased its ownership in Steady State LLC from 5.76% to 10.8% for £4 million. In October 2023, a further investment of £8 million was made in Steady State LLC by way of a convertible loan note.

During 2023, the Group acquired a further 1.31% in Hrvatski Duhani d.d., at a cost of less than £1 million, following the acquisitions in 2022 (3.3% at a cost of £1 million) and 2021 (2.7% at a cost of £1 million).

In 2022, as mentioned in note 27, the Group made a £32 million investment in exchange for 16% of Sanity Group GmbH and made ^[L]_{SEP} a non-controlling investment in Steady State LLC for £4 million.

During 2022, the Group increased its ownership of a wholesale producer and distributor operating in the agriculture sector based in Uzbekistan, FE 'Samfruit' JSC to 45.40% for £1 million. In 2021, the Group increased its ownership to 42.61%, for £1 million.

In November 2022, the Group invested in Charlotte's Web via a convertible debenture of £48 million which is currently convertible into a non-controlling equity stake of approximately 19.9%.

In 2021, the Group made a capital contribution in Brascuba Cigarrillos S.A. at a cost of £6 million. There was a capital reduction in CTBAT International Limited of approximately US\$171 million with funds remitted prorata to investors in 2021.

On 5 October 2021, PT Bentoel Internasional Investama Tbk (Bentoel) announced its intention to delist from the Indonesia Stock Exchange and go private by conducting a Voluntary Tender Offer (VTO). As part of this, in two phases in November and December 2021, the Group acquired an additional 0.2% of shares in Bentoel from independent shareholders at a cost of £4 million and terminated the total return swap (as explained in note 32).

As explained in note 15, in 2022 the Group provided a temporary liquidity facility to the main UK pension fund. As at 31 December 2023 this facility was undrawn.

The Group and Organigram also entered into a Product Development Collaboration Agreement following which a Centre of Excellence has been established to focus on developing the next generation of cannabis products with an initial focus on cannabidiol (CBD).

As a result of the implementation of the EU Single-Use Plastic Directive in certain EU countries, the Group, along with other tobacco manufacturers, established Producer Responsibility Organisations for the management of the Extended Producer Responsibility obligations relating to tobacco product butt filter waste collection. The costs incurred by the Group in relation to this waste disposal is included in note 6(l).

The key management personnel of British American Tobacco consist of the members of the Board of Directors of British American Tobacco p.l.c. and the members of the Management Board. No such person had any material interest during the year in a contract of significance (other than a service contract) with the Company or any subsidiary company. The term key management personnel in this context includes their close family members.

	2023 £m	2022 £m	2021 £m
The total compensation for key management personnel, including Directors, was:			
– salaries and other short-term employee benefits	17	19	18
– post-employment benefits	1	1	1
– share-based payments	13	17	16
	31	37	35

The following table, which is not part of IAS 24 disclosures, shows the aggregate emoluments of the Directors of the Company.

	Executive Directors			Chairman			Non-Executive Directors			Total		
	2023 £'000	2022 £'000	2021 £'000	2023 £'000	2022 £'000	2021 £'000	2023 £'000	2022 £'000	2021 £'000	2023 £'000	2022 £'000	2021 £'000
Salary; fees; benefits; incentives												
– salary	1,644	2,129	2,119							1,644	2,129	2,119
– fees				688	670	727	1,059	1,027	1,045	1,747	1,697	1,772
– taxable benefits	395	449	420	17	59	55	31	78	2	443	586	477
– short-term incentives	1,650	3,761	4,128							1,650	3,761	4,128
– long-term incentives	1,371	7,888	3,399							1,371	7,888	3,399
Sub-total	5,060	14,227	10,066	705	729	782	1,090	1,105	1,047	6,855	16,061	11,895

**Pension;
other
emoluments**

– pension	248	320	318							248	320	318
– other emoluments	2	6	6							2	6	6
Sub-total	250	326	324							250	326	324
Total emoluments	5,310	14,553	10,390	705	729	782	1,090	1,105	1,047	7,105	16,387	12,219

“

APPENDIX C

“RESPONSIBILITY OF DIRECTORS

Statement of Directors’ Responsibilities in Respect of the Annual Report and the Financial Statements

The Directors are responsible for preparing the Annual Report and the Group and Parent Company financial statements in accordance with applicable law and regulations. Under company law, directors must not approve the Financial Statements unless they are satisfied that they give a true and fair view of the state of affairs of the Parent Company and the Group for that period.

Under applicable law, directors are required to prepare the financial statements in accordance with UK-adopted international accounting standards and applicable law. The Directors have elected to prepare the Parent Company financial statements in accordance with UK Accounting Standards and applicable law, including FRS 101 'Reduced Disclosure Framework'. In preparing these Group financial statements, the Directors have also elected to comply with International Financial Reporting Standards (IFRS) as issued by the International Accounting Standards Board (IASB).

In preparing each of the Group and Parent Company financial statements, the Directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and estimates that are reasonable, relevant, reliable and prudent;
- state whether Group financial statements have been prepared in accordance with UK-adopted international accounting standards;
- state whether, for the Parent Company financial statements, applicable UK Accounting Standards have been followed, subject to any material departures disclosed and explained in the those statements;
- assess the Group and Parent Company’s ability to continue as a going concern, disclosing, as applicable, matters related to going concern; and
- use the going concern basis of accounting unless the Directors either intend to liquidate the Group or the Parent Company or to cease operations, or have no realistic alternative but to do so.

The Directors are responsible for keeping adequate accounting records that are sufficient to show and explain the Parent Company’s transactions and disclose with reasonable accuracy at any time the financial position of the Parent Company and enable them to ensure that its financial statements comply with the Companies Act 2006. They are responsible for such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error, and have general responsibility for taking such steps as are reasonably open to them to safeguard the assets of the Group and to prevent and detect fraud and other irregularities.

Under applicable law and regulations, the Directors are also responsible for preparing a Strategic Report, Directors’ Report, Directors’ Remuneration Report and Corporate Governance Statement that comply with applicable law and regulations.

The Directors are responsible for the maintenance and integrity of the Annual Report included on the Company’s website. Legislation in the UK governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

In accordance with Disclosure Guidance and Transparency Rule (DTR) 4.1.16R, the financial statements will form part of the annual financial report prepared using the single electronic reporting format

under DTRs 4.1.17R and 4.1.18R. The auditor's report on these financial statements provides no assurance over whether the annual financial report has been prepared in accordance with those requirements.

Directors' Declaration in Relation to Relevant Audit Information

Having made appropriate enquiries, each of the Directors who held office at the date of approval of this Annual Report confirms that:

- so far as he or she is aware, there is no relevant audit information of which the Company's auditors are unaware; and
- he or she has taken all steps that a Director ought to have taken in order to make himself or herself aware of relevant audit information and to establish that the Company's auditors are aware of that information.

Responsibility Statement of the Directors in Respect of the Annual Financial Report

We confirm that to the best of our knowledge:

- the financial statements, prepared in accordance with the applicable set of accounting standards, give a true and fair view of the assets, liabilities, financial position and profit or loss of the Company and the undertakings included in the consolidation taken as a whole; and
- the Strategic Report and the Directors' Report include a fair review of the development and performance of the business and the position of the Company and the undertakings included in the consolidation taken as a whole, together with a description of the principal risks and uncertainties that they face.

Forward looking statements

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 29), 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 (pages 215 to 311), including note 12(b)(iv); 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 announcement are reasonable, but they may be affected by a wide range of variables that could cause actual results and performance 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 caused by the heightened cyber-threat landscape, the 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.

A review of the reasons why actual results and developments may differ materially from the expectations disclosed or implied within forward-looking statements can be found by referring to the information contained under the headings "Cautionary statement", "Group Principal Risks" and "Group Risk Factors" in the Annual Report 20232 and Form 20-F of British American Tobacco p.l.c. (BAT). Additional information concerning these and other factors can be found in the Company's filings with the U.S. Securities and Exchange Commission ("SEC"), including the Annual Report on Form 20-F filed on 2 March 9 February 20234 and Current Reports on Form 6-K, which may be obtained free of charge at the SEC's website, www.sec.gov, and the Company's Annual Reports, which may be obtained free of charge from the Company's website www.bat.com.

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.

Sponsor: Merrill Lynch South Africa (Pty) Ltd t/a BofA Securities