



Combined Performance and Sustainability Summary 2025



# Building a Smokeless World

**A Better Tomorrow™ means  
Building a Smokeless World.**

**A Smokeless World built on  
Smokeless products, where,  
ultimately cigarettes have  
become a thing of the past.**

**A world where smokers, who would  
otherwise have continued to smoke,  
have migrated from cigarettes to  
smokeless alternatives.**

**A world where Tobacco Harm  
Reduction is both understood  
and accepted.**

**A world where smokers  
make a Switch to Better.**

**A refined purpose:**

The best choice any adult smoker can make will always be quitting cigarettes completely.

Over the last few years, our aim has been to build A Better Tomorrow™. This means working to reduce the health impact of our business by offering adult consumers a greater choice of reduced-risk\*† products compared to cigarettes.

Other than certain products within the Modern Oral category, BAT's Smokeless products are not smoking cessation devices and are not marketed for that purpose.

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Other than certain products within the Modern Oral category, BAT's New Category products are not smoking cessation devices and are not marketed for that purpose.

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

† Products 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.



# Our Business at a Glance

## Our Guiding Principles

### Our purpose, vision and mission

We know A Better Tomorrow™ can be achieved by Building a Smokeless World. This is why we focus on offering adult consumers a choice of reduced-risk†† alternatives to cigarettes. This is complemented by our ambition to be a predominantly Smokeless business by 2035.

### Where we operate

Our business is divided into three complementary regions, with a balanced presence in high-growth emerging markets and highly profitable developed markets. Each market is responsible for its own performance and driving growth.



### Leading in Tobacco Harm Reduction

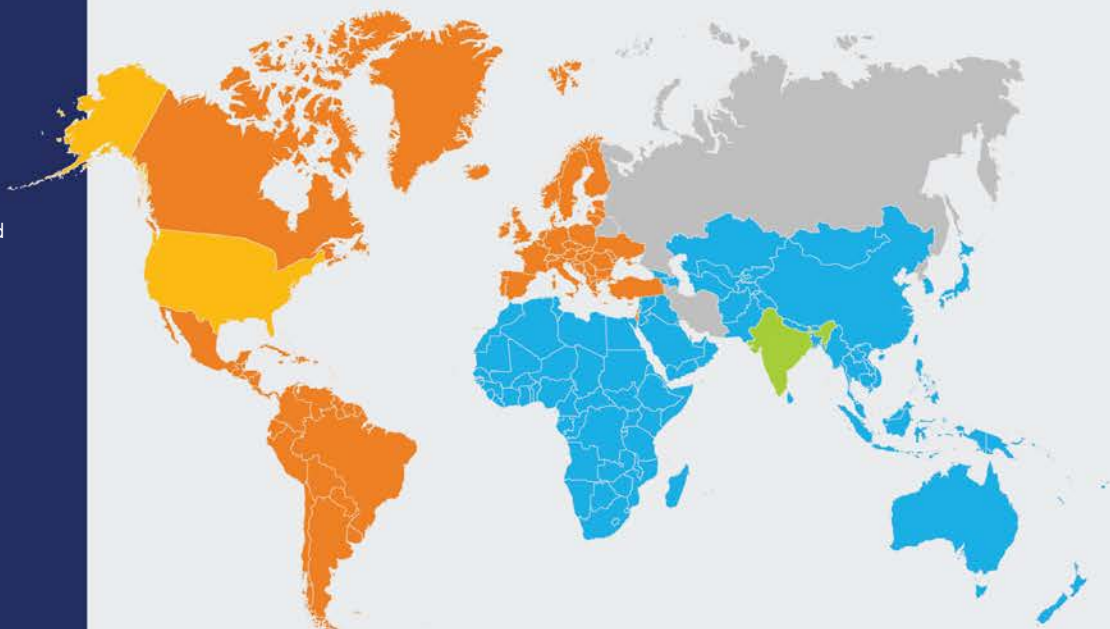
Through Omni™, our dynamic evidence-based manifesto and platform for change, BAT's commitment to Tobacco Harm Reduction is not only clear, but founded in real-world evidence and supported by science. It presents a significant opportunity for stakeholders to join the conversation and drive change.

### Working with key partners

We are collaborating with global leaders like BYD and Smoore to innovate and enhance our capabilities by leveraging expertise. We are also supporting world-class businesses through our venturing initiative, Btomorrow Ventures.

**Note:**  
Map is accurate as at 31 December 2025 and is representative of general geographic regions and does not suggest that the Group operates in each country of every region.

## Three Complementary Regions



**5**  
major product categories

**£25,610m**  
Total revenue

**137**  
employee nationalities

**47,000+**  
employees globally

### Revenue by region

U.S.	£11,534m
AME	£9,309m
APMEA	£4,767m
Associates and Joint Ventures	N/A

### Top market by product category

Combustibles	Heated Products	Vapour	Modern Oral
Brazil	Germany	Canada	Denmark
Germany	Greece	France	Norway
Mexico	Spain	Germany	Sweden
Romania	Italy	Poland	Switzerland
Japan	Poland	Spain	Poland
Pakistan	Romania	UK	UK
U.S.	Czech Republic	U.S.	U.S.
	Portugal		
	Japan		
	South Korea		

**Note:**  
The Group also sells **Traditional Oral** in the U.S. and in AME.

## A Multi-Category Portfolio

These are our key brands in both the combustibles and Smokeless<sup>†</sup> categories. This ensures focus and investment in the brands and categories that will underpin the Group's future performance.

### Modern Oral

## 49 markets

Modern Oral products are pouches that contain high-purity nicotine, water, and other high-quality ingredients. They are typically manufactured to be tobacco-leaf free. Consumers place the disposable pouch within the mouth, between the lip and gum, where nicotine and flavours are then released and absorbed.

### Heated Products

## 29 markets

Heated Products (HPs) have two main functional parts: a battery-powered device and a consumable, which contains a plant-based (tobacco leaf or non-tobacco leaf) substance that is heated, not burned. Once the consumable has reached a certain temperature, it forms an aerosol releasing nicotine and flavours.

### Our Strategic Portfolio

#### Smokeless:

All brands within New Categories (Vapour, Heated Products and Modern Oral) and the strategic Traditional Oral brands in moist and snus.

#### Combustibles:

Dunhill, Kent, Lucky Strike, Pall Mall, Rothmans, Newport (U.S.), Natural American Spirit (U.S.) and Camel (U.S.).



### Combustibles

## c.140 markets

The Group sold 465 billion cigarette sticks and 12 billion other tobacco products (stick equivalents) in 2025. With 36 fully integrated cigarette manufacturing facilities in 35 markets, the Group operates internationally.

### Vapour

## 57 markets

Vapour products contain an e-liquid, nicotine and flavours, and a battery-powered heating element. When activated, via puff or button, the heating element heats the liquid and forms an aerosol, commonly known as vapour.

### Traditional Oral

## 3 markets

Traditional Oral products include snus and snuff. Snus is a moist form of oral tobacco originating from Sweden. It is available in loose form or as pouches.

With Traditional Oral products, consumers take a single portion or pouch and place it within the mouth, between the lip and gum. The nicotine and flavours are then absorbed through the inner lining of the cheek.

#### Notes:

Other than certain products within the Modern Oral category, BAT's New Category products are not smoking cessation devices and are not marketed for that purpose.

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

† Products 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.

# Chair's Introduction



With our refined strategy as our north star, our transformation accelerated in 2025, underpinned by disciplined execution and resilience.

Luc Jobin  
Chair

## 2025 was a year that challenged the global economy and tested the resilience of markets and businesses everywhere.

It was shaped by subdued growth, trade realignments and continued geopolitical and macro-economic shifts, alongside a changing labour market and the acceleration of AI.

Our industry, like many others, has not been immune to these external forces. Competitive and regulatory complexity, coupled with evolving consumer preferences, continue to shape the landscape.

BAT is no exception. We are not the same business we were ten or twenty years ago. As the world transforms, we recognise the opportunity we have not only to navigate change, but to help shape it.

### Transforming with Confidence

With our refined strategy as our north star, our transformation accelerated in 2025, underpinned by disciplined execution and resilience. This enabled us to manage volatility, seize opportunities and innovate at pace.

We returned to growth in the U.S., continued developing new products and launched three innovations across our Smokeless portfolio. At the same time we've been thoughtfully extracting value from our combustibles business – all while staying closely attuned to adult consumer preferences and industry trends.

I'm encouraged that we have built a much stronger platform to deliver dependable performance, underpinned by the right talent and capabilities, our sales mix and our international presence.

Now more than ever, keeping pace with change while staying true to our strategy is essential – and I'm confident we are rising to that challenge.

## Delivering for Shareholders

Our strategy continues to deliver for our shareholders.

The Board has declared a dividend of 245.04p per ordinary share, payable in four equal instalments of 61.26p per ordinary share, to shareholders registered on the UK main register or the South Africa branch register and to American Depository Shares (ADS)<sup>1</sup> holders each on the applicable record dates.

Further information on dividends can be found on page 40 and in the Annual Report 2025 on page 54.

Our disciplined approach to capital allocation remains crucial to fully realising our ambitions. As part of this framework, the share buy-back programme has been increased for 2026 to £1.3 billion.

As a Board, we're confident in our capital allocation framework and continually review it to provide value for shareholders and support the growth of BAT.

“ We returned to growth in the U.S., continued developing new products, and launched three innovations across our Smokeless portfolio. ”

## Enhancing our Capabilities

Success in a rapidly evolving environment demands agility, diversified supply chains, strong digital capabilities, partnerships and a culture that embraces change. Combined with strategic clarity and long-term vision, these attributes position us for sustainable success.

Our people have consistently demonstrated resilience and effectiveness, and the improvements seen across the Group are also testament to their hard work and commitment to BAT's transformation.

Transformation has become second nature, but to capture future opportunities, we must nevertheless operate as a more dynamic business. Through our Fit2Win programme and progressive partnerships – outlined by Tadeu on page 7 – we are building an organisation that is truly future-fit.

“  
**Tobacco Harm Reduction is the fastest route to achieving a Smokeless World, and we are determined to make it happen.**”

## A Smokeless World

Over one billion adults<sup>2</sup> still smoke cigarettes worldwide, but we believe that this number could reduce significantly with the right regulation and greater acceptance of Smokeless products.

Tobacco Harm Reduction (THR) – encouraging smokers who would otherwise continue to smoke to switch completely to less risky alternatives<sup>†</sup> – is the fastest route to achieving a Smokeless World, and we're determined to make it happen.

In 2025, we took Omni™ – our award-winning science and evidence-backed manifesto for change – to over 23 markets across the world, engaging with policymakers, public health officials and regulators. You can read more about this on page 33.

We also launched our new international campaign: Vapers Deserve Better, calling on key stakeholders for better standards and regulations for Vapour products, while demonstrating what we believe responsible leadership in THR looks like.

We are confident that growth in the Smokeless category will be driven by sustained investment and targeted innovation, while our international reach and active management of our multi-category portfolio stand us in good stead to deliver results.

## Board Evolution

This year, we welcomed Uta Kemmerich-Keil and Matthew Wright as Non-Executive Directors. Uta brings deep experience in regulated industries, consumer markets, and digital transformation, while Matthew adds leadership advisory expertise and international perspective. Both will make valuable contributions.

We also said farewell to Murray S. Kessler and Soraya Benchikh, who stepped down from the Board. On behalf of the Board, I thank them for their service and wish them well. Javed Iqbal, Director of Digital and Information, is acting as interim Chief Financial Officer while we complete a global search to identify a successor for this role.

## Looking Ahead

If the last 120+ years have shown us anything at BAT, it's that resilience is embedded in the fabric of our business. Change is rarely simple, but progress demands it and we are embracing that reality.

With a solid foundation and momentum behind our strategy, we believe we are well positioned for the future. Our portfolio is diverse, our footprint international and our people engaged. Coupled with our ability to identify opportunities and create value, these strengths set us apart.

We expect 2026 to be a year of further strategic progress and delivery for investors, consumers and wider stakeholders, as we continue to Build a Smokeless World.

“  
**If the last 120+ years have shown us anything at BAT, it's that resilience is embedded in the fabric of our business.**”

### Notes:

- \* Based on the weight of evidence and assuming a complete switch from cigarette smoking. These products are not risk free and are addictive.
- † Products 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.
- 1. The dividends receivable by ADS holders in US dollars will be calculated based on the exchange rate on the applicable payment dates.
- 2. WHO global report on trends in prevalence of tobacco use 2000-2024 and projections 2025-2030. Geneva: World Health Organization; 2025. Available at: [www.who.int/publications/item/9789240116276](http://www.who.int/publications/item/9789240116276)

# Chief Executive's Overview



**In 2025, our transformation accelerated, with delivery at the top end of our guidance. The investments we have made in recent years are delivering tangible benefits, providing BAT with a stronger foundation for continued growth.**

**Tadeu Marroco**  
Chief Executive Officer

## **Despite an evolving and unpredictable external environment, the strength of BAT was once again reflected in our 2025 performance.**

As I look back, I'm proud of what we've achieved and the value we've been able to deliver consistently for shareholders.

When I became Chief Executive, it was clear that a relentless focus on execution and profitable transformation were needed for BAT to continue to grow sustainably. This is why we refined our strategy and revised our purpose, vision and mission, with the aim of becoming a predominantly smokeless business by 2035.

I'm pleased to say that in 2025, our transformation accelerated, with delivery at the top end of our guidance. The investments we have made in recent years are delivering tangible benefits, providing BAT with a stronger foundation for continued growth.

### **Full-Year 2025 Performance**

Against a challenging backdrop, total Group revenue declined by 1.0%, negatively impacted by a translational foreign exchange headwind of 3.1%. At constant rates, revenue grew 2.1%.

Our U.S. business returned to growth, driven by sustained momentum in combustibles underpinned by decisive commercial actions and sharper execution. Velo Plus achieved remarkable success with triple-digit revenue growth and reaching profitability (on a category contribution basis) within its first year, while also reaching the number 2 position in both volume and value share. I'm also proud that Velo has been established as the fastest growing brand within the Modern Oral category in the U.S.

With progressive regulation for Modern Oral products now in 24 countries, the regulatory outlook for the category is encouraging. This is reflective of the recognition of the important role these products play in supporting adult smokers – who would otherwise continue to smoke – to switch to less risky\*† alternatives.

While the Vapour category faced challenges from illicit products, Vuse's performance improved, and I am confident it is well positioned to benefit from enhanced enforcement at both state and federal levels in the U.S.

In AME, our multi-category portfolio continued to perform strongly, while our performance in APMEA was impacted by fiscal and regulatory challenges in Bangladesh and Australia.

Our New Categories business delivered another year of strong growth, with double-digit growth in revenue and category contribution in the second half of 2025, fuelled by Velo's success in all regions. In 2025, New Category contribution was £427 million, with category contribution margin<sup>1</sup> growing 4.7 ppts to 12.0%. Revenue from our Smokeless products accounted for 18.2% of Group revenue<sup>1</sup>.

While external headwinds may persist, BAT remains agile and resilient. We are guided by a clear strategy, anchored in our pillars of Quality Growth, Sustainable Future, and Dynamic Business, which positions us well for continued success.

### **Quality Growth**

Our Quality Growth pillar defines how we innovate, shape the future, and deliver outstanding products for consumers. By maintaining a disciplined balance between top-line growth and bottom-line delivery, we are already seeing results across the Group.

New Category contribution has grown over 10x in the last two years<sup>1</sup>. The number of adult consumers choosing our Smokeless brands grew faster than ever before, with 4.7 million consumers added in 2025 (to 34.1 million).

We said 2025 would be a deployment year – and we have delivered. We launched new products across our Smokeless portfolio: Vuse Ultra – our premium Vapour product, glo Hilo and Hilo Plus – our premium Heated Products, and Velo Shift – our Modern Oral product in a new innovative pouch shape.

From device connectivity to new-to-world machinery and technologies developed specifically for BAT, you can read more about our new products on pages 29, 31 and 32 of the Annual Report 2025.

I am confident that BAT is well-positioned for success, bolstered by a re-energised and growing U.S. business, strategic partnerships with industry-leading companies, strong R&D capabilities, and a growing intellectual property portfolio. This puts us on a strong footing to continue to deliver sustainable returns for our shareholders.

To maximise our growth potential, we remain focused on disciplined brand development, operational efficiency and margin enhancement. Alongside this, we will continue to build and maintain our competitive edge, while progressing our Beyond Nicotine portfolio and investments for sustained growth over the medium and long term.

### Sustainable Future

Building a Sustainable Future remains a priority in everything we do. We seek to actively encourage adult smokers – who would otherwise continue to smoke – away from cigarettes and to smokeless alternatives in a responsible and sustainable manner.

We continue to invest in the quality of our Smokeless products, guided by robust science and evidence. This is complemented by our ongoing engagement with external stakeholders and regulators, as we work to turn our vision of a Smokeless World into reality.

Several highlights from 2025 stand out. Omni™, the dynamic international platform we have created for information and engagement, has won awards and achieved external recognition. The launch of our Vapers Deserve Better campaign further underscores our dedication to advocacy and education. Backed by decades of scientific evidence, our commitment to building a Smokeless World through meaningful stakeholder engagement is unwavering.

We are clear that the best choice for adult smokers is to quit. However, effective regulation is crucial to ensuring adult consumers can switch to smokeless alternatives if they choose. With a strong track record of navigating regulatory shifts, we are confident in our ability to manage this. Ultimately, a sustainable future only happens when the right regulations are landed and enforced, and we will continue with our efforts to move the needle.

“ I am confident that BAT is well-positioned for success, bolstered by a re-energised and growing U.S. business, strategic partnerships, strong R&D capabilities, and a growing intellectual property portfolio. ”

### Dynamic Business

Ensuring that BAT is equipped with a future-ready, efficient, and effective operating model is at the core of our Dynamic Business pillar. This will be achieved by creating financial flexibility to invest in our business and enhance shareholder returns.

In July 2025, we took a significant step in our digital transformation by forming a strategic partnership with Accenture<sup>2</sup>. By transitioning our Global Shared Services to Accenture, we now benefit from their cutting-edge technology ecosystem, advanced AI solutions, and strategic collaborations with world-leading companies.

These capabilities are enabling us to simplify processes, accelerate speed to market, upskill our talent, and drive cost efficiencies over the medium to long term.

In addition, our collaborations in R&D with global leading companies, and the establishment of the first Consumer Packaged Goods AI lab with DIFC in Dubai, are clear examples of how we are proactively seeking expertise to innovate and strengthen our capabilities.

We remain committed to a disciplined approach to capital allocation and debt management<sup>1</sup>.

In 2025, our leverage ratio was 2.48x. However, both 2025 and 2024 have been impacted by the settlement payments in respect of Canada. In 2024, the Group had £2.5 billion of cash and cash equivalents on the balance sheet that reduced net debt at 31 December 2024. This was subsequently paid in 2025. Reflecting a consistent position in both years, and adjusting for Canada's adjusted EBITDA<sup>1</sup> (other than New Categories), our leverage ratio was 2.55x, a reduction of 0.20x from the equivalent in 2024 of 2.75x.

We are focused on reducing our leverage ratio to be within the target range of 2.0-2.5x adjusted net debt to adjusted EBITDA<sup>13</sup>, which will provide the Group with increasing flexibility to deliver sustainable value, while remaining agile to respond to macro-economic and regulatory developments.

As part of our active capital allocation, our share buy-back programme has been increased for 2026 to £1.3 billion. This, in addition to maintaining a growing dividend, reflects our commitment to enhancing shareholder returns.

### Fit for the Future

To ensure that BAT is competitive and set up for even greater success in the future, we undertook a strategic review of our organisation.

As a result, we have proposed a three-year programme, called Fit2Win, which is designed to enhance our commerciality and increase our agility, while we make deliberate, focused choices about which opportunities we pursue. This will drive efficiency and profitability, while prioritising our investment in the areas that are thriving.

We expect the proposed changes to unlock annualised cost efficiencies and cash flow of c.£600 million by the end of 2028, enabling us to continue to fund our biggest growth opportunities.

### Looking Ahead

Our heritage is rich, and our future promising. Embracing transformation is something we know how to do, and well.

The progress that we have made is a direct result of the passion and commitment of our employees around the world. Our people are empowered, engaged and excited about our business, and I thank them for all they have achieved in 2025, and the momentum they are bringing into 2026.

The next phase of our transformation will be realised through innovation, technology and excellence in deployment – doing so sustainably and with integrity throughout. This will enable us to deliver our mid-term financial algorithm, priorities and vision for the future.

All of this underscores our clear opportunity to Build a Smokeless World, and it gives me continued confidence that we will deliver on our commitments and create sustainable value for shareholders.

### Notes:

- \* Based on the weight of evidence and assuming a complete switch from cigarette smoking. These products are not risk free and are addictive.
- † Products 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.
- 1. Please refer to page 377 of the Annual Report 2025 for the Non-GAAP measures definitions.
- 2. Please refer to note 5 in the Notes on the Accounts on page 269 of the Annual Report 2025 for more details.
- 3. As adjusted for Canada – adjusts for the performance of the Canadian business (excluding New Categories).

# Our Year in Numbers

Our Performance Metrics	2025	%	2024	Non-GAAP		
				IFRS GAAP	Transformation Incentive Schemes	Other Non-GAAP
<b>Consumer</b>						
Number of Smokeless Product Consumers <sup>1</sup>	34.1m		29.4m			
Cigarette and HP volume share growth (bps) <sup>2</sup>	-40 bps		+10 bps			
Cigarette and HP value share growth (bps) <sup>2</sup>	-10 bps		-30 bps			
<b>Volume</b>						
Vapour (mn units)	538	-13%	616			
HP (bn sticks)	20	-4%	21			
Modern Oral (bn pouches)	12.2	+47%	8.3			
Cigarettes (bn sticks)	465	-8%	505			
<b>Financial</b>						
Revenue (£m)	25,610	-1.0%	25,867	●		
Revenue at cc (%) <sup>3</sup>	26,414	+2.1%	25,867	●	●	
Revenue from New Categories (£m)	3,621	+5.5%	3,432	●		
Revenue from New Categories at cc (%) <sup>3</sup>	3,673	+7.0%	3,432		●	
Smokeless revenue as % of total revenue (%)	18.2%	+70 bps	17.5%	●	●	
Profit from Operations (£m)	9,997	+265%	2,736	●		
Adjusted Profit from Operations, adjusted for Canada at cc (%) <sup>3,4,5</sup>	11,628	+2.3%	11,370		●	
Adjusted Gross Profit growth, adjusted for Canada at cc (%) <sup>3,4,5</sup>		+3.4%			●	
New Category Adjusted Gross margin at cc (%) <sup>3,4</sup>	58.4%	+210 bps	56.3%		●	
New Category Contribution at cc (£m) <sup>3</sup>	442	+71%	249			
New Category Contribution margin at cc (%) <sup>3</sup>	12.0%	+4.7 ppts	7.3%	●	●	
Operating Margin (%)	39.0%	+28.4 ppts	10.6%	●		
Adjusted Operating Margin (%) <sup>4</sup>	45.2%	-80 bps	46.0%			●
Diluted Earnings/(Loss) per Share (p)	349.1	+157%	136.0	●		
Adjusted Diluted Earnings per Share (p) <sup>4</sup>	352.1	-2.9%	362.5			
Adjusted Diluted Earnings per Share, adjusted for Canada at cc (%) <sup>3,4,5</sup>	352.8	+3.4%	341.1		●	
Dividends per Share (p)	245.04	+2.0%	240.24			
Dividend Payout Ratio (%) <sup>6</sup>	72%	3.3 ppts	70%			
Net Cash Generated from Operating Activities (£m)	6,342	-37.4%	10,125	●		
Adjusted Cash Generated from Operations (£m) <sup>4</sup>	6,882	-8.9%	7,554		●	
Free Cash Flow before Dividends (£m)	4,048	-48.8%	7,901	●		
Cash Conversion (%)	63%	-307 ppts	370%	●		
Operating Cash Conversion (%)	100%	-0.78 bps	101%		●	
Borrowings, including Lease Liabilities (£m)	35,070	-5.1%	36,950	●		
Adjusted Net Debt to Adjusted EBITDA, adjusted for Canada (ratio) <sup>4,5</sup>	2.55x	-0.20x	2.75x		●	
Adjusted Return on Capital Employed, adjusted for Canada (%) <sup>4,5</sup>	12.0%	+40 bps	11.6%	●	●	
Total Shareholder Return (rank)	5th out of 15		5th out of 15			●

**+** Find our [sustainability targets](#) on [page 39](#)

Please refer to the Non-GAAP section from page 377 of the Annual Report 2025 for the Non-GAAP measures definitions. See the section 'Non-Financial Measures' on page 373 on the Annual Report 2025 for more information on the non-financial KPIs.

#### Notes:

- During 2025, Kantar made enhancements to their adult consumer tracking studies in Germany. Accordingly, Kantar has back-trended the data, updating the 2024 position from 29.1 million to 29.4 million Smokeless product consumers, as discussed on page 374 of the Annual Report 2025.
- To better reflect the evolving performance of each category, from 1 January 2026 the Group will decouple the value share and volume share metrics from a combined Cigarettes and HP view to disclose Cigarettes and HP performance separately.
- Where measures are presented 'at constant rates' or 'at cc', the measures are calculated based on a re-translation of the current year's (2025) results of the Group and, where applicable, its segments, at the prior year's (2024) exchange rates. See page 58 of the Annual Report 2025 for the major foreign exchange rates used for Group reporting.
- Where measures are presented as 'adjusted', they are presented before the impact of adjusting items. Adjusting items represent certain items of income and expense which the Group considers distinctive based on their size, nature or incidence.
- This measure is presented adjusted for Canada, as discussed on page 377 of the Annual Report 2025.
- This measure is calculated as the dividends as a proportion of adjusted earnings per share, as adjusted for Canada, as discussed on page 387 of the Annual Report 2025.

# Vapers Deserve Better

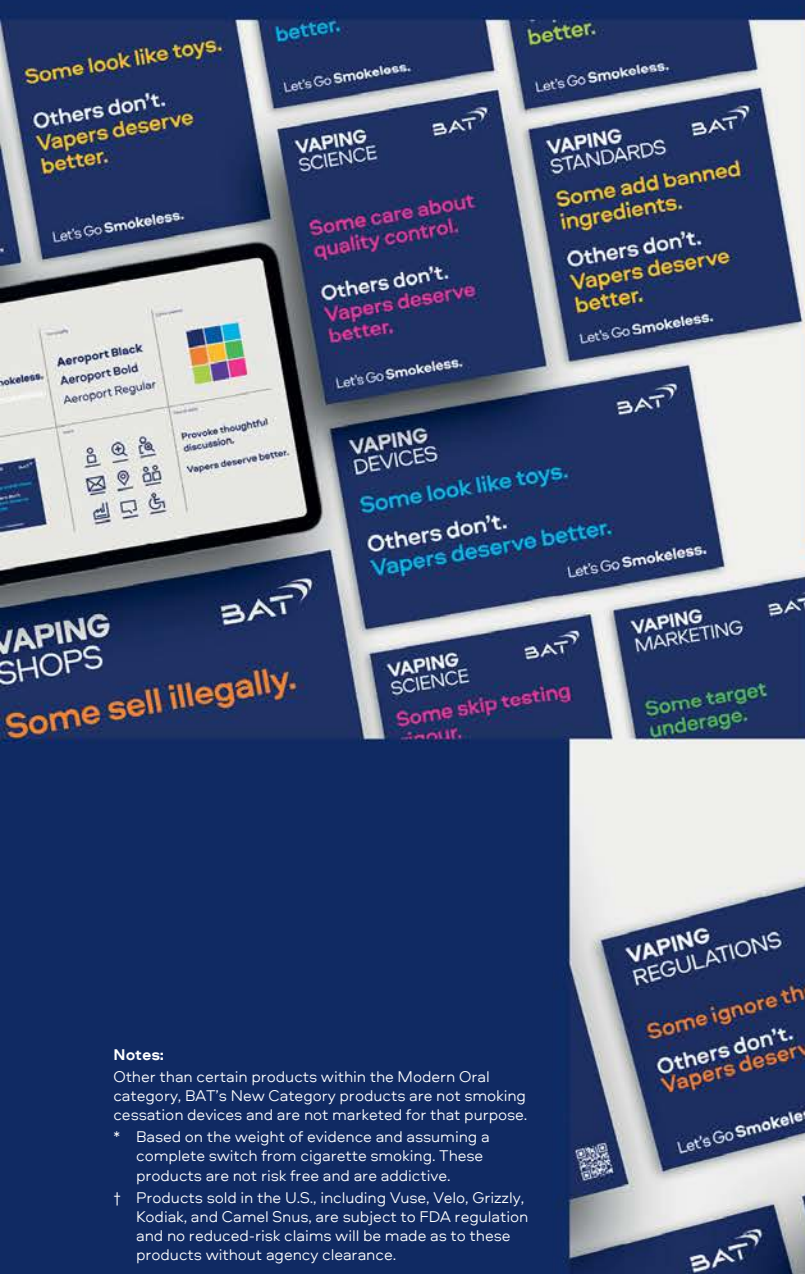
We know that the best choice any adult smoker can make is to quit completely. However, for those adults who would otherwise continue to smoke cigarettes, we believe that they should have the choice to switch completely to less risky\*† alternative products – vaping being one of them.

Yet the future of vaping is at a crossroads, with threats from those who ignore regulations, design products that target the underaged, and disregard quality and product stewardship.

Not only does this negatively impact those trying to transition, it also lets vapers down. Vaping needs responsible leadership.

And that is why we launched our **Vapers Deserve Better** campaign in 2025.

Aimed at key policymakers, regulators and public health stakeholders, the campaign calls out practices that undermine responsible progress, while showing what leadership in Tobacco Harm Reduction should look like. It highlights BAT's strengths in this space, while encouraging stakeholders to drive change, address societal concerns and ultimately, make a Smokeless World a reality.



**Notes:**

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† Products 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.

# Our Strategic Navigator

To achieve our ambitions and accelerate our transformation, we're committed to **Building a Smokeless World** by deploying our global multicategory portfolio.



## Quality Growth



**Transitioning to a more balanced focus on top-line and bottom-line delivery, focusing on our brands and innovation, and continuing to seek long-term opportunities Beyond Nicotine.**

Opportunities for growth in our industry are plentiful, aided by steady combustibles revenues and evolving adult consumer preferences.

By 2028, the global number of adult smokers is projected to fall by around 20 million<sup>1</sup>, driven by evolving social attitudes towards smoking and consumer migration towards Smokeless products.

Our human and financial resource allocation decisions will be driven by the geographies and products we prioritise, guided by our market archetype model.

Continuous innovation will enable us to achieve our aim of developing a great pipeline of new, scientifically substantiated products. Our combustibles business remains essential to funding our transformation and continuing to reward our shareholders.

There are two categories that BAT is exploring within Beyond Nicotine: Wellbeing and Stimulation – functional consumable products that help people manage their mood and wellbeing; and cannabis.

### Our commitments

- Progressing toward quality, margin-accretive growth in Smokeless products
- FMC volume decline but expecting continuing value delivery
- Sensibly investing for the future Beyond Nicotine

### Link to Principal Risks

1	2	3	4	5	6	7
8	9	10	11	12	13	14

## Sustainable Future



**Seeking to actively migrate adult smokers, who would otherwise continue to smoke, to smokeless alternatives responsibly and with integrity.**

Reducing the health impact of our business is our ambition, and Tobacco Harm Reduction (THR) is key to this. We believe it is achievable by migrating more smokers to Smokeless products, and advocating for the right regulations responsibly and with integrity.

Cigarette smoking poses serious health risks. The only way to avoid these risks is not to start or to quit smoking. For those adults who would otherwise continue to smoke, we believe they should have the option to choose Smokeless alternatives instead.

THR progress has been made in recent years, and as a result there are now three significant product categories: Vapour, Heated Products and Modern Oral.

Primarily, our efforts are science-led, backed by ongoing external engagement with regulators and key stakeholders, while embedding sustainability across the Group.

Our transformation must be comprehensive – addressing not only our products' public health impact but also our other material sustainability topics.

### Our commitments

- Building a Smokeless World
- Investing in the products, science and engagement to make A Better Tomorrow™ a reality
- Conducting our business responsibly and with integrity

### Link to Principal Risks

1	2	3	4	5	6	7
8	9	10	12	13	14	

## Dynamic Business



**Building a future-fit, data-driven organisation and ensuring we are efficient and effective in all of our operations.**

Our ability to create financial flexibility to invest in our capabilities and products remains, and we are confident we can deliver sustainable shareholder returns.

For more than 25 years we have grown the dividend per ordinary share in absolute terms. We have returned over £34 billion to shareholders over the last six years, through our progressive dividend policy and sustainable share buy-backs, with £1.8 billion repurchased since 2024 and with a further £1.3 billion committed for 2026. We have also continued to focus on leverage and closed the year with an adjusted net debt to adjusted EBITDA ratio (adjusted for Canada) of 2.55x.

Reducing gross debt is another core component of the Dynamic Business pillar. The Group continues to target a solid investment-grade credit rating of Baa1, BBB+ and BBB+ by Moody's/S&P/Fitch\*\*.

Given current challenges in the external environment, the Group aims to de-lever its gross debt levels (£35.1 billion in 2025) and moderate the annual net financing cost levels to better support the overall strategy of the Group.

### Our commitments

- Creating a diverse, inclusive and people-oriented place to work
- Being data-driven and delivering operational excellence/cost management
- Focused on investors' returns

### Link to Principal Risks

4	7	9	10	11	14
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### Notes:

- \* Based on the weight of evidence and assuming a complete switch from cigarette smoking. These products are not risk free and are addictive.
  - † Products 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.
  - \*\* A credit rating is not a recommendation to buy, sell or hold securities. A credit rating may be subject to withdrawal or revision at any time. Each rating should be evaluated separately of any other rating.
1. Euromonitor 2024 Market Sizing Data | Global.

## Principal Risks

- 1 Competition from illicit trade
- 2 Geopolitical tensions
- 3 Tobacco, New Categories and other regulation interrupts growth strategy
- 4 Supply chain disruption
- 5 Litigation and external investigations

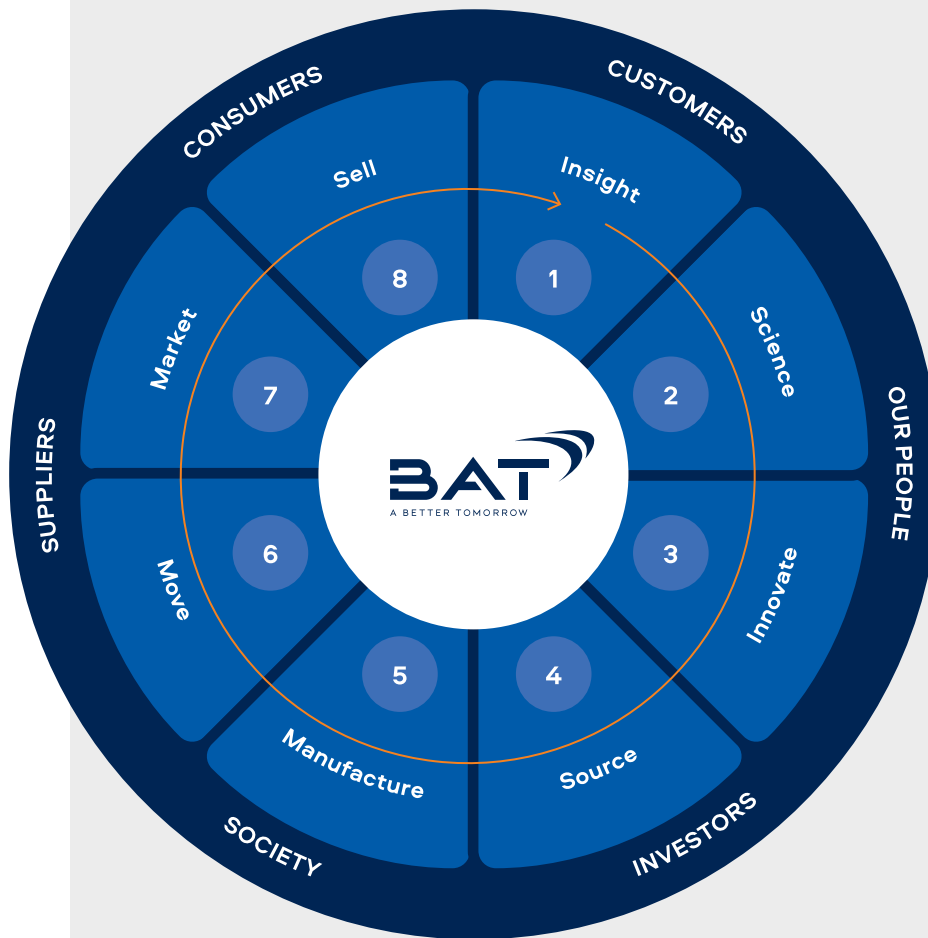
- 6 Significant increases or structural changes in tobacco, nicotine and New Categories related taxes
- 7 Inability to develop, commercialise and deliver the New Categories strategy
- 8 Disputed taxes, interest and penalties
- 9 Injury, illness or death in the workplace

- 10 Solvency and liquidity
- 11 Foreign exchange rates exposures
- 12 Climate change
- 13 Circularity
- 14 Digital & Cyber

# Our Business Model

**Our business model begins and ends with the consumer.**

The insights we gather from adult consumers, backed by robust science, unlock value by ensuring we offer the right product choices to meet their preferences. Our product portfolio is constantly enhanced through innovations designed to better serve adult consumers and build A Better Tomorrow™. We use our international footprint to manufacture at speed and scale, and our global distribution capabilities to ensure our products are where they need to be, when needed, based on our market archetype model. Through our responsible marketing practices and powerful portfolio, we market and sell our products which, in turn, generate further insights.



Our business model is intrinsically connected to our value chain.

### Principal Risks

- |  |   |
|--|---|
| <ul style="list-style-type: none"> <li><b>1</b> Competition from illicit trade</li> <li><b>2</b> Geopolitical tensions</li> <li><b>3</b> Tobacco, New Categories and other regulation interrupts growth strategy</li> <li><b>4</b> Supply chain disruption</li> <li><b>5</b> Litigation and external investigations</li> <li><b>6</b> Significant increases or structural changes in tobacco, nicotine and New Categories related taxes</li> <li><b>7</b> Inability to develop, commercialise and deliver the New Categories strategy</li> </ul> | <ul style="list-style-type: none"> <li><b>8</b> Disputed taxes, interest and penalties</li> <li><b>9</b> Injury, illness or death in the workplace</li> <li><b>10</b> Solvency and liquidity</li> <li><b>11</b> Foreign exchange rates exposures</li> <li><b>12</b> Climate change</li> <li><b>13</b> Circularity</li> <li><b>14</b> Digital &amp; Cyber</li> </ul> |
|--|---|

Aligning our business model to our value chain



**1** U O D

**Insight**  
Seeing over the horizon

As one of the most established tobacco and nicotine businesses in the world, we truly understand adult consumers and their diverse preferences. This, combined with our data and analytics-led approach, helps us to gain insights and anticipate trends.

These insights enable the development and responsible marketing of our products, so that they are fit to satisfy consumer preferences. Powered by our consumer insights platform, we focus on product categories and consumer segments across our global business that have the greatest potential for sustainable growth.

7 13 14

**2** U O D

**Science**  
Accelerating Tobacco Harm Reduction acceptance

We rely on world-class science to substantiate the product safety, quality and reduced-risk<sup>†</sup> potential of our Smokeless products. It is crucial for building trust with consumers and regulators, and encouraging adult smokers – who would otherwise continue to smoke – to completely switch to less risky alternatives<sup>†</sup>.

Chemistry, molecular biology, and toxicology are just some of the fields that our extensive scientific research programme covers. We are transparent about our science and have published a compendium of information in the Omni™, which explores over a decade's worth of Tobacco Harm Reduction evidence, alongside science and research.

1 3 5 7 10 14

**3** U O D

**Innovate**  
Staying ahead of the curve

As consumer preferences and technology rapidly evolve, our international network of digital hubs, innovation hubs, world-class research and development (R&D) laboratories and external partnerships help us to stay at the forefront of innovation with our products, alongside our corporate venturing initiative, Btomorrow Ventures.

Innovation is core to us driving sustainable growth, and we invest significantly in R&D to create great products that satisfy changing consumer preferences. Led by data and consumer insights, each innovation takes us a step further towards building A Better Tomorrow™ by reducing the health impact of our business.

3 5 7 10 13 14

**4** U O D

**Source**  
Sourcing materials responsibly

The majority of our tobacco is sourced by our Group-owned vertically integrated Leaf Operations through direct contracts with c.91,000 farmers. The remaining tobacco is sourced from third-party suppliers that, in turn, contract with an estimated 134,000 farmers. The vast majority of tobacco farms in our supply chain are smallholder family farms.

Beyond tobacco, we source product materials like paper and filters for cigarettes and, for our New Category products, we have a growing supply chain in consumer electronics and e-liquids. We also have a vast network of suppliers of indirect goods and services that support our business beyond our products, such as for IT services and facilities management.

2 4 7 9 10 11 12 13 14

**5** U O D

**Manufacture**  
Utilising our global manufacturing footprint

We manufacture high-quality products in our international facilities. These products, and the tobacco leaf we source, are then optimised for distribution and sale.

Our tobacco leaf may be processed upstream via our contracted farmers, and processing can also occur in our own Leaf Operation sites. Our Smokeless products are manufactured in a mix of our own and third-party factories. We work to keep our costs globally competitive and endeavour to use our resources as effectively as possible.

2 4 7 8 9 10 11 12 14

**6** U O D

**Move**  
Moving our products seamlessly everywhere

Technologies including AI and machine learning help us to get our products to the right place at the right time.

Our products are sold across the world and distributed efficiently using distribution models tailored to suit local circumstances and conditions. These include retailers, supplied through our direct distribution capability or exclusive distributors, and our Direct-to-Consumer business – which has been accelerated through the deployment of owned e-commerce sites.

2 3 4 7 10 11 12 14

**7** U O D

**Market**  
Marketing our products responsibly

We use a globally responsible approach to marketing, seeking to raise standards and prevent underage access, while growing our market share by encouraging adult consumers to choose our products over those of our competitors.

Our marketing across all our tobacco, nicotine and nicotine-free products and brands is governed by our Responsible Marketing Principles (RMP) and Responsible Marketing Code (RMC). They include strict requirements to be accurate, responsible, and targeted at adult consumers only. Our RMP are applied even when they are stricter than local laws.

3 5 7 10 13 14

**8** U O D

**Sell**  
Offering the consumer choice

Our powerful portfolio of brands is something we're proud of – including our combustibles portfolio and our Smokeless product brands, which we believe will drive us towards our strategic aim. Our strong product pipeline is supported by our quality insights, science and innovation, and international positioning. We offer adult consumers all over the world a range of high-quality products – from value-for-money to premium, including combustible products, Vapour, Modern Oral, Traditional Oral and Heated Products.

1 2 3 4 5 6 7 8 10 11 12 13 14

+ Read more about our science at [www.asmokelessworld.com](http://www.asmokelessworld.com)

**Notes:**

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

# Our Business Model Continued

## A Better Tomorrow™ for:



Adult consumers are at the core of everything we do and our success is underpinned by addressing their preferences, offering them a choice of enjoyable, innovative and less risky products<sup>†</sup>.

**57**

Countries where Vapour products are available

**49**

Countries where Modern Oral products are available

**29**

Countries where Heated Products are available

**Notes:**

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



We employ 47,000+ people worldwide. Attracting and retaining an increasingly diverse workforce and providing a welcoming, inclusive working environment are key drivers in BAT's transformation journey to build A Better Tomorrow™. Our focus is on providing a dynamic, inspiring and purposeful place to work.

**85%**

Engagement Index score in our Your Voice employee survey

**44.4%**

Proportion of women in Management<sup>‡</sup> roles

**0.12**

Lost Time Incident Rate (LTIR) vs 0.12 in 2024

**Accredited as Global Top Employer by the Top Employers Institute**

**Note:**

- ‡ As at 31 December 2025. Refer to the BAT 'Reporting Criteria' for a full description of key terms and definitions [bat.com/reporting](https://bat.com/reporting)



We work with a range of suppliers worldwide. Our suppliers across the Group are valued business partners and we believe, by working together, we can raise standards, drive sustainable practices, create shared value and build A Better Tomorrow™.



Our customers include retailers, distributors and wholesalers who are essential for driving growth and embedding responsible marketing practices.

**Investors**



We are committed to delivering sustainable and superior returns to our shareholders and investors. It is essential that we maintain the support of our shareholders and investors to enable access to capital. This allows us to implement our strategy and achieve our business objectives.

**3-5%**

Revenue growth over the medium-term

**5-8%**

Adjusted diluted EPS\* growth (on a constant currency basis) over the medium-term

**2.0-2.5x**

Deleveraging the balance sheet into our 2.0-2.5x adjusted net debt to adjusted EBITDA\* target range

**65%**

A progressive dividend being a 65% dividend payout ratio over the long-term

**Note:**

\* As adjusted for Canada.

**Society**



We believe the greatest contribution we can make to society is Building a Smokeless World and reducing the health impact of our business<sup>†</sup>. We will do this by encouraging those who would otherwise continue to smoke cigarettes to switch completely to Smokeless alternatives<sup>†</sup>. Achieving this, while working to reduce our impact on the environment, is central to delivering A Better Tomorrow™.

**34.1m**

Consumers of Smokeless products

**30.4%**

Reduction of waste generated (versus our 2017 baseline)

**46.6%**

Reduction in Scope 1 and 2 GHG emissions versus our 2020 baseline




**Notes:**

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

† Products 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.

# Engaging with Our Stakeholders

We work with, take into account and respond to the views and concerns of our stakeholders. This enables us to adapt to emerging risks and work to meet the expectations placed upon us as a multinational business.

	 <b>Consumers</b>	 <b>Investors</b>	 <b>Our People</b>
<b>Why this stakeholder is important to us</b>	As our industry evolves, and preferences and attitudes change, understanding our adult consumers is crucial to both successful portfolio and business growth.	Maintaining the support of our shareholders and bondholders is essential for us to maintain access to capital. This allows us to implement our strategy and achieve our business objectives.	The quality of our people is testament to our Group's continued performance. We understand the value of listening and responding to feedback from our people to maintain a fulfilling, rewarding and responsible work environment.
<b>Examples of how we engaged in 2025</b>	<ul style="list-style-type: none"> <li>- Consumer panels, focus groups and interviews</li> <li>- Consumer care helplines</li> <li>- Responsible marketing and transparent communication</li> <li>- Real-time digital platforms</li> </ul>	<ul style="list-style-type: none"> <li>- Annual General Meeting</li> <li>- Investor relations programme and shareholder engagement</li> <li>- Institutional shareholder meetings</li> <li>- Investor roadshows</li> <li>- Results announcements</li> <li>- Annual Report and Form 20-F</li> <li>- Suite of focused sustainability reports and wider disclosures</li> <li>- Stock exchange announcements</li> <li>- Shareholder information on website</li> <li>- Sustainable Future Summit</li> <li>- Extensions of the reach and presence of Omni™</li> </ul>	<ul style="list-style-type: none"> <li>- Director market and site visits</li> <li>- Chief Executive's Let's Talk live Q&amp;A forum</li> <li>- Townhall sessions</li> <li>- Global, functional and regional webcasts</li> <li>- Global Leadership Meeting</li> <li>- Employee listening framework, including Your Voice surveys</li> <li>- Works councils and European Employee Council meetings</li> <li>- Graduate and management trainee events</li> <li>- Individual performance reviews</li> <li>- Speak Up channels</li> </ul>
<b>What matters to our stakeholders</b>	<ul style="list-style-type: none"> <li>- Health impact of our products and other social considerations</li> <li>- Product quality</li> <li>- Affordability and price</li> <li>- Ingredients/nicotine levels</li> <li>- Post-consumption product waste/circularity</li> </ul>	<ul style="list-style-type: none"> <li>- Group transformation and business performance</li> <li>- New Categories strategy</li> <li>- U.S. market dynamics and outlook</li> <li>- Capital allocation</li> <li>- Regulatory developments</li> <li>- Sustainability agenda</li> <li>- Corporate governance, leadership and succession planning</li> </ul>	<ul style="list-style-type: none"> <li>- Reward</li> <li>- Career development</li> <li>- Inclusive culture and embedding our values</li> <li>- Building digital capabilities and fostering innovation</li> <li>- Corporate responsibility and business ethics</li> <li>- Health and safety</li> </ul>
<b>How we respond</b>	<ul style="list-style-type: none"> <li>- Development of innovative products</li> <li>- Product stewardship and quality standards</li> <li>- Clear and accurate product information</li> <li>- Responsible Marketing Principles and Responsible Marketing Code</li> <li>- Circularity strategy and initiatives</li> </ul>	<ul style="list-style-type: none"> <li>- Product stewardship and quality standards</li> <li>- Responsible Marketing Principles and Responsible Marketing Code</li> <li>- Robust corporate governance</li> <li>- Sustainability Double Materiality Assessment<sup>1</sup> and review of reporting landscape</li> <li>- Continual improvement of our Delivery with Integrity programme</li> <li>- Our range of enjoyable and innovative products</li> <li>- Regular dialogue and communications with shareholders and investors</li> </ul>	<ul style="list-style-type: none"> <li>- Extensive communications and engagement with our people worldwide</li> <li>- Board review of, and feedback on, workforce engagement</li> <li>- Training and development programmes, including on AI</li> <li>- Introduction of our inclusive culture strategy</li> <li>- Delivery with Integrity programme</li> </ul>
<b>Principal risk impact</b>	<ul style="list-style-type: none"> <li>- Competition from illicit trade</li> <li>- Tobacco, New Categories and other regulation interrupts growth strategy</li> <li>- Supply chain disruption</li> <li>- Significant increases or structural changes in tobacco, nicotine and New Categories related taxes</li> <li>- Inability to develop, commercialise and deliver the New Categories strategy</li> <li>- Climate change</li> <li>- Circularity</li> <li>- Digital &amp; Cyber</li> </ul>	<ul style="list-style-type: none"> <li>- Competition from illicit trade</li> <li>- Geopolitical tensions</li> <li>- Tobacco, New Categories and other regulation interrupts growth strategy</li> <li>- Litigation and external investigations</li> <li>- Significant increases or structural changes in tobacco, nicotine and New Categories related taxes</li> <li>- Inability to develop, commercialise and deliver the New Categories strategy</li> <li>- Disputed taxes, interest and penalties</li> <li>- Solvency and liquidity</li> <li>- Foreign exchange rates exposure</li> <li>- Climate change</li> <li>- Circularity</li> <li>- Digital &amp; Cyber</li> </ul>	<ul style="list-style-type: none"> <li>- Geopolitical tensions</li> <li>- Supply chain disruption</li> <li>- Injury, illness or death in the workplace</li> <li>- Climate change</li> <li>- Circularity</li> <li>- Digital &amp; Cyber</li> </ul>

**Listening to our stakeholders helps us better understand their views and concerns, and enables us to respond to them appropriately. It gives us valuable inputs and feedback on our strategic approach, as well as our policies, procedures and ways of working.**

 Suppliers	 Customers	 Society
Effective relationships with farmers and suppliers of tobacco leaf, product materials as well as indirect goods and services are essential to an efficient, productive and secure supply chain.	Our customers include retailers, global and local key accounts, distributors and wholesalers that are essential for driving growth and embedding responsible marketing practices.	We seek to be part of the debate that shapes the regulatory environment in which we operate, and to work collaboratively to develop joint solutions to common challenges.
<ul style="list-style-type: none"> <li>- Extension Services farmer support</li> <li>- Ongoing dialogue and relationship management</li> <li>- Supplier Voice survey, supplier forums, summits and other events</li> <li>- Strategic partnerships and collaborations</li> <li>- Thrive programme</li> </ul>	<ul style="list-style-type: none"> <li>- Ongoing dialogue and account management</li> <li>- Customer Voice survey</li> <li>- Retail audits and engagement</li> <li>- Sales calls and visits by trade representatives</li> <li>- B2B programmes</li> <li>- Digital B2B eCommerce platforms</li> <li>- Customer care portals and customer voice programmes</li> </ul>	<ul style="list-style-type: none"> <li>- Meetings and ongoing dialogue</li> <li>- Submissions to government and advisory committees</li> <li>- Multi-stakeholder partnerships and working groups</li> <li>- External Scientific &amp; Regulatory Panel</li> <li>- Peer-reviewed research</li> <li>- Biodiversity standards and improvement programmes</li> <li>- Community investment programmes and NGO partnerships</li> <li>- Sustainability Double Materiality Assessment<sup>2</sup> related engagements</li> <li>- Launch of Vapers Deserve Better campaign and continued roll-out of Omni™</li> </ul>
<ul style="list-style-type: none"> <li>- Productivity/quality/cost</li> <li>- Sustainable agriculture</li> <li>- Farmer livelihoods</li> <li>- Human rights</li> <li>- Health and safety</li> <li>- Climate change impacts</li> <li>- Sustainability Double Materiality Assessment<sup>2</sup> and review of reporting landscape</li> </ul>	<ul style="list-style-type: none"> <li>- Route-to-market planning</li> <li>- Contingency planning</li> <li>- Cost, price and quality</li> <li>- Stock availability</li> <li>- Consumer buying behaviour</li> <li>- Underage access prevention</li> </ul>	<ul style="list-style-type: none"> <li>- Product regulation</li> <li>- Tax/excise/illicit trade</li> <li>- Responsible marketing</li> <li>- Public health impacts</li> <li>- Human rights</li> <li>- Climate change impacts</li> </ul>
<ul style="list-style-type: none"> <li>- Supplier Code of Conduct</li> <li>- Sustainable agriculture and farmer livelihoods programme</li> <li>- Leaf operational standards for PPE and child labour prevention</li> <li>- Farmer Extension Services support and training</li> </ul>	<ul style="list-style-type: none"> <li>- Customer reward programmes and incentives</li> <li>- Global Underage Access Prevention (UAP) Guidelines and initiatives</li> </ul>	<ul style="list-style-type: none"> <li>- Standards of Business Conduct (SoBC)</li> <li>- Delivery with Integrity programme</li> <li>- Targeted 50% absolute reduction in Scope 1 and 2 GHG emissions by 2030 (vs 2020 baseline)</li> <li>- Human rights and climate impact assessments</li> <li>- Community investment programmes</li> </ul>
<ul style="list-style-type: none"> <li>- Geopolitical tensions</li> <li>- Supply chain disruption</li> <li>- Inability to develop, commercialise and deliver the New Categories strategy</li> <li>- Injury, illness or death in the workplace</li> <li>- Solvency and liquidity</li> <li>- Foreign exchange rates exposure</li> <li>- Climate change</li> <li>- Circularity</li> <li>- Digital &amp; Cyber</li> </ul>	<ul style="list-style-type: none"> <li>- Competition from illicit trade</li> <li>- Geopolitical tensions</li> <li>- Tobacco, New Categories and other regulation interrupts growth strategy</li> <li>- Supply chain disruption</li> <li>- Significant increases or structural changes in tobacco, nicotine and New Categories related taxes</li> <li>- Inability to develop, commercialise and deliver the New Categories strategy</li> <li>- Climate change</li> <li>- Circularity</li> <li>- Digital &amp; Cyber</li> </ul>	<ul style="list-style-type: none"> <li>- Competition from illicit trade</li> <li>- Geopolitical tensions</li> <li>- Tobacco, New Categories and other regulation interrupts growth strategy</li> <li>- Litigation and external investigations</li> <li>- Significant increases or structural changes in tobacco, nicotine and New Categories related taxes</li> <li>- Inability to develop, commercialise and deliver the New Categories Strategy</li> <li>- Disputed taxes, interest and penalties</li> <li>- Climate change</li> <li>- Circularity</li> <li>- Digital &amp; Cyber</li> </ul>

# Interim Chief Financial Officer’s Overview: Investment Case



We are steadfast in our commitment to deliver sustainable shareholder value by growing our New Categories and delivering value from combustibles, ensuring we maximise cash generation to fund our progressive dividend and sustainable share buy-backs.

**Javed Iqbal**  
Interim Chief Financial Officer

## 50m

Consumers of our Smokeless products by 2030 ambition

## >50%

Group revenue ambition from Smokeless products by 2035

## >£50bn

Total free cash flow before dividends expected to be generated between 2024 and 2030 (inclusive)

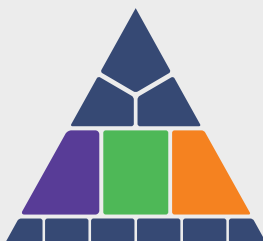


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### Responding through our strategy

Key to strategic pillars:

- Quality Growth
- Sustainable Future
- Dynamic Business



## Transformation Driving Quality Growth

Our corporate purpose is to build A Better Tomorrow™ by reducing the health impact of our business. To accelerate the next phase of our transformation, we are committed to Building a Smokeless World. We will deploy our global multi-category portfolio to actively encourage adult smokers – who would otherwise continue to smoke – to Switch to Better† nicotine products, and continue to seek long-term opportunities Beyond Nicotine in Wellbeing and Stimulation, realising the multi-stakeholder benefits of A Better Tomorrow™.

Our commitment is demonstrated by our ambition to become a predominantly smokeless business, with over 50% of our revenue from Smokeless products by 2035. Revenue growth in the global nicotine industry is accelerating through the development of New Categories.

We continue to make progress towards our target of 50 million adult consumers of our Smokeless products by 2030, adding another 4.7 million in 2025 to a total of 34.1 million.

Prioritising where and which products to focus on within the largest profit pools guides our resource allocation decisions. Our New Categories business continues to deliver profitable growth, on a category contribution basis, and we expect to further enhance profitability in the coming years.

We strive to continue to profitably and responsibly manage our transition away from combustibles, generating funds to further invest in our transformation and deliver sustainable profit growth and cash flow over the long-term.

In order to achieve this, our refined strategic pillars will act as our executorial compass, and we will measure performance using KPIs to track our journey.

**Notes:**

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

## Continuing our Track Record of Delivery

We are confident in our growth outlook, and have a proven track record of performance.

Over the last 10 years, we have delivered an average 7% adjusted diluted EPS growth (at constant rates) and a 5% dividend CAGR and are confident in sustainably delivering our medium-term targets of 3-5% revenue growth and 5-8% adjusted diluted EPS growth on a constant currency, adjusted for Canada basis from 2026.

We have an active capital allocation framework to deliver long-term value for shareholders.

# 3-5%

Expected medium-term Group revenue growth

# 5-8%

Adjusted diluted EPS\* growth (on a constant currency basis) over the medium-term

**This includes:**

- **a progressive dividend.** We have grown dividends for over a quarter of a century and remain committed to further, consistent dividend growth, rewarding our shareholders through all economic cycles.
- **operating within our target leverage corridor of 2.0-2.5x adjusted net debt to adjusted EBITDA\*.** This is driven by the Group’s cash generation. We have delivered at least 100% operating cash conversion annually and returned, since 2020, a total of £33.9 billion to shareholders. We expect to deliver in excess of £50 billion of free cash flow before dividends between 2024 and 2030 (inclusive).
- **sustainable share buy-back programmes to enhance shareholder returns.** Since 2024, we have returned £1.8 billion through our sustainable share buy-back programme with a further £1.3 billion committed for 2026.
- **considering potential bolt-on M&A opportunities to accelerate our transformation.**

**+** For more details on the **five key drivers of our financial algorithm**, see [page 21](#)

**Note:**

\* As adjusted for Canada – adjusts for the performance of the Canadian business (excluding New Categories).

## Building a Sustainable Future for Our Stakeholders

Building a Sustainable Future is about seeking to actively migrate smokers - who would otherwise continue to smoke - away from cigarettes and to smokeless alternatives sustainably, responsibly and with integrity.

BAT’s vision is to Build a Smokeless World. As we transition to A Better Tomorrow™, we are committed to doing so responsibly – by reducing our reliance on natural resources, managing our environmental impact and respecting human rights across our business operations and supply chain. Through these actions, we are enhancing business resilience and positioning BAT for enduring success in a rapidly evolving landscape. At the same time, we strive to create meaningful impact in the communities where we operate and empower our people to drive positive change. Our sustainability strategy is anchored in four interconnected impact areas - Climate, Nature, Circularity, and Communities - beyond Tobacco Harm Reduction. By focusing on these impact areas, we aim to mitigate risks, strengthen resilience, and create positive value across our value chain. As our 2025 targets reach maturity, we have set four clear targets under each strategic pillar to guide our efforts through 2030 and beyond. These targets, informed by our Double Materiality Assessment<sup>^</sup>, enable us to proactively manage sustainability impacts, regulatory changes, and evolving stakeholder expectations. Action plans are already underway, and we are committed to tracking and transparently sharing our progress as our transformation continues. Our achievements to date, including significant reductions in GHG emissions, water use and waste, and value chain collaboration demonstrate our commitment to deliver.

As we continue working towards reducing the health impact of our products and further embedding sustainability in our business, we seek to drive growth, create shared value and build a stronger, more resilient BAT.

**Note:**

<sup>^</sup> 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 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.

## Dynamic Business Making Active Choices for the Future

Our multi-category portfolio benefits from decades of consumer insights that have driven our No. 1 global revenue position in combustibles.

In addition, leveraging the benefits of our expertise in science and R&D, our manufacturing, distribution and marketing has enabled us to build three global New Category brands, Vuse, glo and Velo, delivering over £3 billion of annual revenue.

Our long-standing experience operating within complex regulatory, legal and fiscal frameworks provides us with a compelling competitive advantage to transform within the wider tobacco industry over the long-term. With our Corporate and Regulatory Affairs function we are driving a more proactive, science-led engagement with all stakeholders.

We will continue to increase investment in new capabilities, including enhancing our innovation pipeline, leading responsible New Category development and further leveraging our broad digital enablers. Our transformation will also be accelerated by a culture of inclusivity and collaboration, supported by senior talent recruitment from a diverse range of industries. Together with our Chief People Officer, we are focused on developing a skills-enabled and performance-driven organisation.

We continuously monitor and assess our capital allocation framework to:

- unlock shareholder value through investing in the right opportunities;
- optimise the return on our investments;
- maximise our cash generation;
- reduce our leverage; and
- generate sustainable cash returns for our shareholders.

# Interim Chief Financial Officer’s Overview: Continued

## Our performance

### Our strategy is designed to maximise sustainable shareholder returns.

We are in a strong position to continue to deliver sustainable returns as demonstrated by our financial performance in 2025, together with 2.0% dividend growth and a £1.3 billion share buy-back programme in 2026.

#### Our key financial focus areas are:

- fuelling our transformation as we maximise value from combustibles, using our scale and efficiencies to release cash;
- deploying capital in a disciplined and targeted manner. This means investing in the largest New Category profit pools and maintaining a laser focus on return on investment;
- strengthening our financial position by reducing debt, providing us with greater financial resilience; and
- a balanced capital allocation approach – prioritising our transformation while continuing to deleverage, deliver a progressive dividend, maintain a sustainable share buy-back programme and explore bolt-on acquisitions.

### 2025 financial performance summary

In 2025, revenue was down 1.0% to £25,610 million, partly due to a translational foreign exchange headwind of 3.1%.

At constant rates of exchange, revenue was up 2.1% driven by the continued growth of New Categories, which grew revenue by 7.0%.

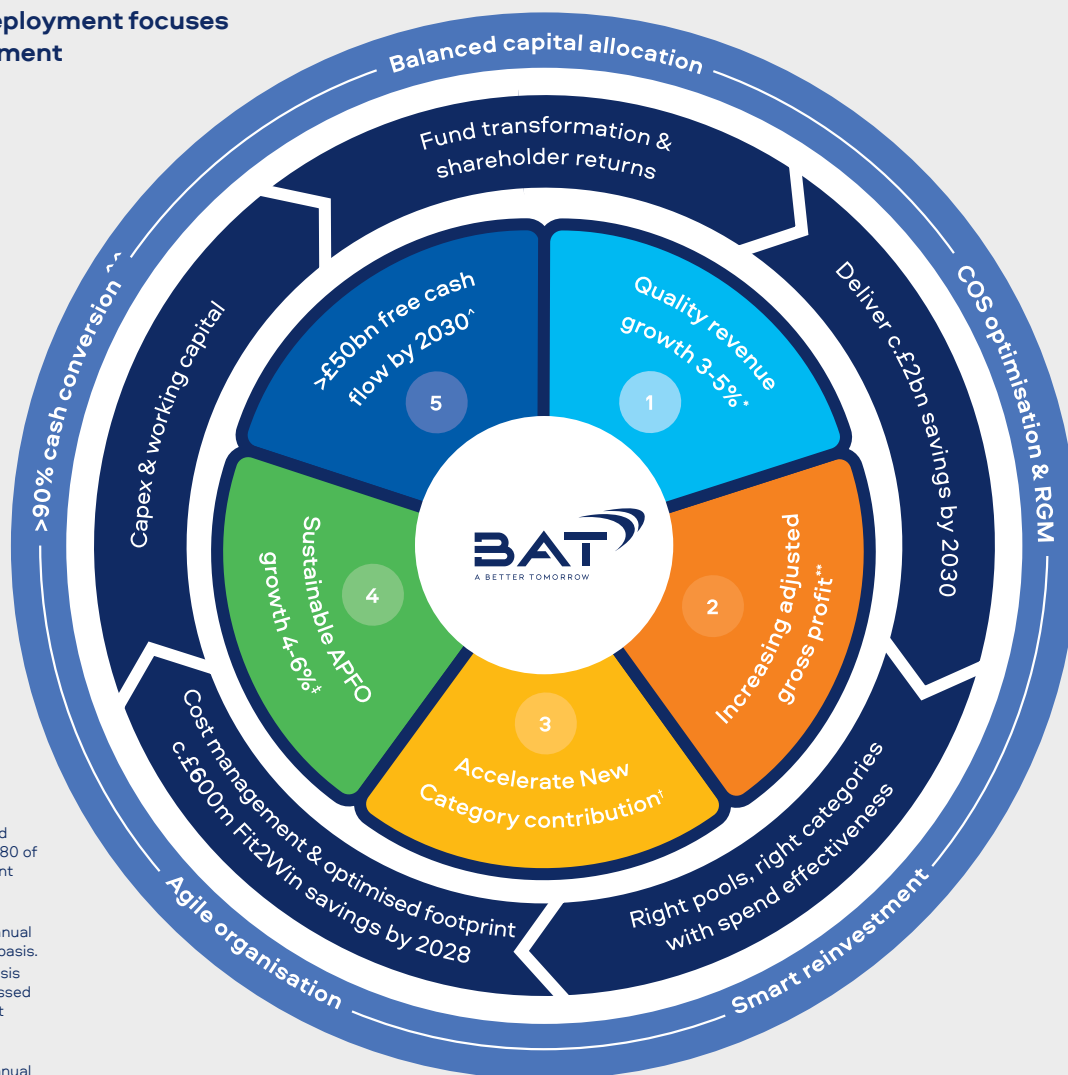
Profit from operations was £9,997 million, against £2,736 million in 2024, despite a translational foreign exchange headwind of 3.1%.

Our financial results have been impacted by a number of events that impacted profit from operations in the current and comparator period. In 2024, the Group recorded a provision (and associated charge) in respect of the Canadian litigation settlement (see page 319 of the Annual Report 2025) of £6.2 billion. In 2025, following a change to the forecasted Canadian combustibles performance, this provision was reduced, with a net credit of £708 million recognised in the year, partly offset by an impairment to goodwill in Canada of £184 million.

In 2025, we announced the Fit2Win programme, a structured time-bound review of processes and ways of working that will generate efficiencies of c.£600 million by 2028 and facilitate faster, more agile decision-making.

### Our strategy is expected to deliver shareholder value creation as:

- Combustibles fuel our transformation
- Targeted capital deployment focuses on return on investment



**Notes:**

- \* On a constant rate basis.
- \* Adjusted gross profit, as adjusted for Canada, as defined on page 380 of Annual Report 2025, on a constant rate basis.
- \* New Category contribution, as defined on page 380 of the Annual Report 2025, on a constant rate basis.
- \* On an adjusted, constant rate basis as adjusted for Canada, as discussed on page 377 of the Annual Report 2025.
- \* Free cash flow before dividends as defined on page 389 of the Annual Report 2025.
- \* Operating cash conversion, as defined on page 388 of the Annual Report 2025.

We expect associated one-off costs of around £600 million (including non-cash items of £100 million). As a one-off time bound programme and to aid comparison of performance, c.£500 million will be treated as adjusting items within adjusted profit from operations. Having commenced in 2025, the programme is expected to complete in 2027.

Also in 2025, the Group incurred charges in respect of the Group's operations in Cuba of £235 million (2024: £74 million) as those assets were classified as held-for-sale at 31 December 2025.

In 2024, a charge of £449 million was recognised in respect of an excise assessment in Romania which was partially reversed in 2025 (credit of £15 million). Finally, 2024 was also negatively impacted by an impairment charge of £646 million in respect of Camel Snus and a charge of £75 million related to the Group's head office in London.

Excluding these items, on a constant currency basis, and adjusting for the performance of Canada, adjusted profit from operations\* was up 2.3%, as New Categories further grew profitability by 77.1% (at the category contribution level) building on the momentum shown in 2024.

On a reported basis, basic EPS was 351.0p compared to 136.7p in 2024, with diluted EPS up 157% to 349.1p in 2025 (2024: 136.0p). This was mainly due to the impacts to profit from operations described earlier.

Furthermore, both years included a gain recognised as the Group monetised a portion of the investment in its Indian associate ITC (2025: £0.9 billion; 2024: £1.4 billion), while 2024 also included a credit of £0.6 billion related to debt refinancing.

Excluding the adjusting items (discussed on pages 50 to 53 of the Annual Report 2025), Canada and the effect of translational foreign exchange, adjusted diluted earnings per share\*, at constant rates, increased by 3.4% to 365.0p. We remain highly cash generative. This allows us to balance investment in the future while rewarding shareholders with a further increase in dividends (up 2.0% to 245.04p) and a £1.3 billion share buy-back in 2026, while targeting our leverage range of 2.0-2.5x adjusted net debt to adjusted EBITDA\* – reaching 2.48x in 2025, or 2.55x (2024: 2.75x) when adjusted for Canada.

### Partnering for Success and Facing the Future with Confidence

In 2025, we entered into a strategic partnership with Accenture – an example of our digital transformation in action. This partnership gives us access to Accenture's technology ecosystem, AI solutions and its strategic collaboration with technology companies.

These capabilities will help us to further simplify our processes, accelerate our speed to market, upskill talent and reduce costs over the medium to long-term, utilising Accenture's global delivery network to complement our existing shared service centre hub locations. Please refer to note 5 of the Annual Report 2025 in the Notes on the Accounts.

Our track record of delivering robust financial performance and consistent cash generation demonstrates how we navigate the near-term macro-economic uncertainties, underpinned by geographic diversity and a portfolio of international brands.

## Our priorities to deliver the algorithm are built around five key drivers:

### 1 Quality revenue growth

We aim to maximise the value from combustibles while driving growth in our New Categories through innovation and premiumisation. Excluding the impact of currency:

- Our combustibles revenue was up 1.0% as pricing remained a driver of value, with Group price/mix (including excise duty drawback in the U.S.) of +9.1% in 2025 (compared to +7.4% in 2024). This more than offset lower combustibles volume (down 8.1% in 2025), negatively impacted by the continued decline in the U.S. where volume was 7.7% lower.
- New Categories revenue was up 7.0% in 2025 as increases in Modern Oral and a stable performance in HP more than offset a decline in Vapour.

### 2 Increase our adjusted gross profit\*

We aim to continually increase our adjusted gross profit\*. Total adjusted gross profit\*, on a constant currency basis, grew by £576 million, an increase of 3.4% in 2025. Adjusted gross profit\* from our combustibles portfolio, through pricing and efficiencies, has remained resilient, up 2.5% in 2025.

The main driver of growth has been New Categories with an increase of 11.0% in adjusted gross profit, driven by higher volume of Modern Oral, revenue growth management programmes and cost optimisation.

### 3 Accelerate New Category contribution

We will continue to invest in our transformation. We will focus on the right opportunities in the key growth areas - evaluating opportunities to maximise returns, freeing up resources for growth and incremental profit. In 2025, we have further increased New Category contribution by £193 million (at constant rates), with New Category contribution margin at 12.0%, up from 7.3% in 2024.

#### Notes:

\* From 1 January 2025, the Board assesses the performance of the Group by reviewing adjusted profit from operations, adjusted gross profit and adjusted EBITDA including an adjustment in respect of Canada's operational performance. This new measure is included in the remuneration targets of management and presents the economic delivery from the AME region in a manner comparable to that of the other regions in the Group. The adjustment in respect of Canada is based upon the profit after interest and tax from all sources, excluding New Categories, in Canada.

### 4 Driving Adjusted Profit from Operations\* growth

Adjusted profit from operations\*, on a constant currency basis, was up 2.3% in 2025. We committed to deliver cost savings of over £1.2 billion in the three years to 2025 and have delivered £1.2 billion, in line with expectations. We continue to target an additional £2 billion from 2026 to 2030.

As discussed above, in 2025, we initiated our Fit2Win programme which we expect to deliver around £600 million of additional savings by the end of 2028. Fit2Win will simplify the way we work, with increased agility and embedding digital decision making.

In 2025, we delivered savings of £327 million. This offset the impact of inflation on product costs of 5.8% (or £315 million), mainly due to higher tobacco leaf prices (impacted by adverse weather conditions) and manufacturing costs (labour and utilities).

### 5 Sustainable Adjusted Diluted EPS\* growth 5-8%

We aim to grow our adjusted diluted EPS\* in a sustainable manner, over the medium-term.

This is driven by:

- the continued operational\* delivery of the Group;
- reducing our net finance costs through lower borrowings as we continue to improve our leverage ratio towards our target range of 2.0-2.5x adjusted net debt to adjusted EBITDA\* by end 2026; and
- delivering against our tax strategy.

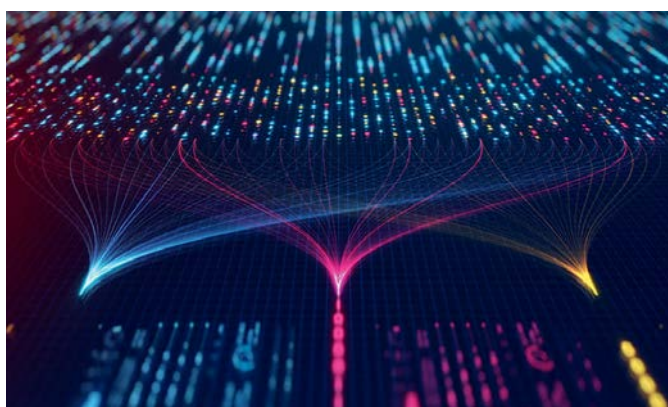
The Group continues to be highly cash generative, with our operating cash conversion, ahead of our 90% target for a number of years. In 2025, we again delivered ahead of expectations at 100%.

We aim to generate over £50 billion of free cash flow before dividends between 2024 and 2030, and have delivered £11.9 billion to date.

We have a long track record of rewarding our shareholders, with over 25 years of dividend growth in sterling terms. Since 2020, we have returned £33.9 billion to shareholders, including a cumulative £1.8 billion share buy-back programme 2024-2025, with a further £1.3 billion share buy-back programme announced for 2026, itself an element of our growth in adjusted diluted EPS\*, at constant rates.

# Our Markets and Megatrends

As a global business, operating at scale within a rapidly evolving landscape, our markets are shaped by long-term consumer, economic, cultural and social trends. We continue to respond to this changing environment by developing and advancing our strategy and long-term priorities.



## AI and Optimisation

Artificial intelligence (AI) continues to transform how businesses operate, make decisions and engage with consumers. The integration of AI across product design, logistics and marketing has accelerated, delivering efficiency gains, deeper insights and more tailored experiences. Yet the full extent of AI's benefits is still being realised. While some applications remain experimental or, in some cases, potentially overstated, others are already generating measurable productivity improvements and reshaping competitive dynamics.

### A changing workforce

Automation and intelligent systems are redefining roles and organisational structures. As demand for digital and analytical skills grows, companies are rethinking talent strategies, upskilling employees and embedding AI into daily operations to boost performance and engagement. Those that adapt early are likely to capture significant productivity and innovation gains.

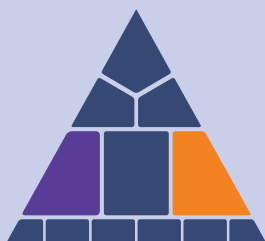
### Smarter decisions and empowered consumers

AI is enabling businesses to anticipate consumer needs and optimise product design, sustainability and quality. While consumers are using AI to discover, compare and assess products, making informed, data-driven choices. The growing intersection of AI and personal health technology is also shaping behaviour. From wearable devices and digital health assistants to personalised wellness recommendations, consumers are using AI to better understand and manage their wellbeing. For the nicotine industry, these developments could influence how adult consumers seek information, evaluate alternatives and make more health-conscious decisions – reinforcing the importance of transparency, accuracy and innovation in product development.

### Responding through our strategy

Key to strategic pillars:

- Quality Growth
- Dynamic Business



## Geopolitics and Trade

The global trading environment remains shaped by heightened geopolitical competition and economic realignment. As the policy shifts that followed the 2024 super-election cycle continue to take effect, governments are pursuing active approaches to industrial policy, supply-chain resilience and market access. These dynamics will continue to influence trade flows and business strategy through 2026 and beyond, underscoring the importance of stability and predictable global frameworks.

### Evolving trade architecture

The world's major economies – notably the U.S., China and the EU – are advancing distinct approaches to trade, technology and regulation. This has encouraged innovation and regional investment, while also creating growing complexity and uneven standards across markets. Greater international alignment around product quality, safety and sustainability standards will be essential to ensure fair competition, consumer protection and a level playing field within global markets.

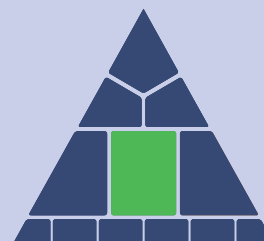
### Building resilience

As global trade becomes more fragmented, resilience will depend on flexibility, foresight and engagement with evolving regulations. Businesses that can adapt quickly will be best placed to manage disruption and maintain market continuity. For the nicotine industry, this means ensuring agile supply chains, strong compliance systems and active participation in global efforts to enhance consistency and mutual recognition of product standards.

### Responding through our strategy

Key to strategic pillars:

- Sustainable Future





### Cost of Living

Despite easing inflation in some regions, the cost of living remains a global challenge. Persistent pressures on energy, food and housing – alongside currency volatility and uneven wage growth – continued to influence consumption patterns worldwide in 2025. Entering 2026, higher living costs and constrained disposable income are prompting consumers across both developed and emerging markets to reassess spending priorities and value perceptions.

### Global shifts in consumer behaviour

Consumers are becoming more deliberate in their purchasing choices – trading down in some categories, delaying discretionary spending and seeking promotions or discounts wherever possible. Meanwhile, health, wellbeing and digital lifestyle management continue to shape preferences, even in cost-conscious contexts. In emerging economies, affordability is a key driver of access and inclusion, while in more mature markets consumers are balancing price sensitivity with innovation, quality and sustainability.

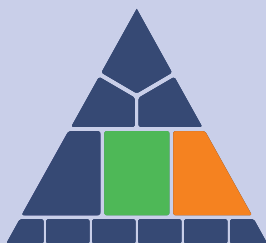
### Balancing cost, health and value

Brands that respond with affordable innovation, transparent value propositions and locally relevant offerings are best placed to maintain loyalty. For the nicotine industry, ensuring that Reduced-Risk Products<sup>††</sup> (RRPs) remain accessible and competitively priced will be critical to supporting informed consumer choice globally. Fiscal and regulatory frameworks that reflect relative risk potential can help sustain affordability, encourage switching for those who would otherwise continue to smoke, and reinforce progress toward harm reduction in a cost-sensitive world.

### Responding through our strategy

Key to strategic pillars:

- Sustainable Future
- Dynamic Business



### Linking to our Principal Risks

- 1 Competition from illicit trade
- 2 Geopolitical tensions
- 3 Tobacco, New Categories and other regulation interrupts growth strategy
- 4 Supply chain disruption
- 5 Litigation and external investigations
- 6 Significant increases or structural changes in tobacco, nicotine and New Categories related taxes
- 7 Inability to develop, commercialise and deliver the New Categories strategy
- 8 Disputed taxes, interest and penalties
- 9 Injury, illness or death in the workplace
- 10 Solvency and liquidity
- 11 Foreign exchange rates exposures
- 12 Climate Change
- 13 Circularity
- 14 Digital & Cyber

### Overview

The global nicotine market is evolving at a rapid pace, characterised by the growing presence of oral nicotine and heated products across multiple jurisdictions, and the continued uptake of vapour products by smokers. This remains a complex and fast-moving landscape, as new Reduced-Risk Products (RRPs)<sup>††</sup> are developed and launched globally.

## Global Market for Combustibles and Smokeless

The latest data indicates that the legal global tobacco and nicotine market was worth around US\$939 billion in 2024. Combustible cigarettes remain, by a considerable margin, the largest product category within this market.

Although cigarettes are among the most heavily regulated consumer products globally – and despite legal cigarette volumes being forecast to decline by around 0.2% over 2024-2029 – roughly 20% of the world’s adult population continue to choose to smoke.

Without access to suitable smokeless alternatives, a sizeable proportion of this group is likely to maintain their current patterns of consumption

### Notes:

All data sources within this section are from Euromonitor International research published in 2025 and based on 2024 data (the latest full year available), unless otherwise stated. All figures exclude China unless otherwise stated.

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

† Products 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.

# Our Markets and Megatrends Continued

## Global Market for Combustibles and Smokeless Continued

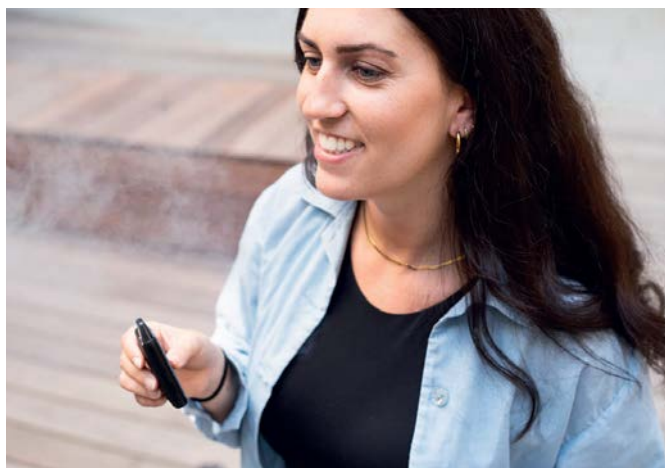
### The illicit market

1 2 3 6 7

The illicit tobacco market has continued to increase since the COVID-19 pandemic, and is estimated to have reached just above 15% of total global volume in 2025. Exacerbated by the increased cost-of-living in many countries, overall illicit volumes are expected to approach an unprecedented level of sales by 2027. Illicit trade exists in all world regions. Its growth is forecast to continue to worsen especially in Australasia, and the Middle East and Africa, in the continued absence of effective enforcement and regulatory or fiscal changes.

>15%

The illicit tobacco market has continued to increase since the COVID-19 pandemic, reaching above 15% of total global volume according to latest data.



### Continued transition to new products

1 3 5 6 7 13

The rapid adoption of new, lower risk<sup>\*†</sup> nicotine products is transforming the global market. The category of alternative products has expanded well beyond early vapour devices to include tobacco heating products (THPs), nicotine pouches, and – more recently – herbal products designed for heating. These innovations are increasingly popular among adult consumers seeking to continue using nicotine while avoiding the risks of combusting tobacco.

This shift represents one of the most significant structural changes in the history of the nicotine sector. By 2028, the global number of adult smokers is projected to fall by around 20 million, driven both by evolving social attitudes towards smoking and the accelerating consumer migration towards RRP<sup>†</sup>. RRP<sup>†</sup> are forecast to account for a steadily rising share of total industry revenue, reflecting both consumer demand and continued product innovation.

Within this landscape, HPs are expected to grow by around 28% in volume over 2024–2029, while nicotine pouches are forecast to grow by approximately 130%. Volume growth for vapour products is expected to remain inconsistent and broadly flat, reflecting continued legislative uncertainty and regulatory grey areas in key markets.

**Notes:**

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

† Products 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.



### Global combustibles regulation

1 3 5 6 13

Combustible tobacco products remain among the most tightly regulated consumer goods worldwide. Longstanding measures across many countries include restrictions on flavour additives, standardised (or plain) packaging, prohibitions on smoking in enclosed public spaces, and bans on retail product displays – all aimed at reducing the appeal, visibility and accessibility of tobacco.

In recent years, regulation has intensified further, with many governments – often drawing on World Health Organization (WHO) guidance – setting ‘smoke-free’ or ‘tobacco endgame’ targets aimed at reducing adult smoking prevalence to below 5% within defined timeframes. To achieve these goals, some countries have begun considering more novel or interventionist approaches.

One such approach is the generational sales ban (GSB), which would permanently prohibit the sale of cigarettes and other tobacco products to anyone born after a specified year. The UK is among the most prominent examples, with legislation under consideration that would ban sales to individuals born on or after 1 January 2009. The Maldives has enacted similar legislation, while the Turkish, Australian, Irish and Norwegian governments are among those reported to be evaluating comparable measures to various degrees. Individual lawmakers in other countries and regional assemblies have also attempted to introduce GSB-style bills.

New Zealand and Malaysia were among the first countries to legislate for such policies but subsequently reversed course in 2023, citing concerns around enforcement, proportionality and constitutional compatibility. The real-world implications of a full generational ban – including any impact on illicit trade – remain uncertain. Other recent innovations include Canada and Australia’s introduction of requirements for individual health warnings to appear directly on cigarette sticks.

Lastly, environmental considerations are increasingly shaping tobacco regulation. The European Union’s Single-Use Plastics Directive (SUP Directive) requires Member States to establish extended producer responsibility schemes covering products such as cigarette filters. The European Commission has commenced an evaluation of the SUP Directive – to be completed by July 2027 – to assess how it has worked in practice, collect evidence and opinions on whether the current measures are sufficient, and identify areas for improvement. Proposals to restrict, phase out or more tightly regulate the use of filters in cigarettes have been raised in a small number of countries.

At the global level, negotiations to develop an internationally binding instrument on plastic pollution, including in the marine environment, remain ongoing. A number of stakeholders have advocated for the inclusion of measures specific to cigarette filters, signalling that sustainability issues are likely to be an increasing focus in future tobacco regulation.

## New Categories Regulation



### New Categories Regulation

1 3 5 6 7 13

While alternative nicotine products are becoming more established across global markets, there remains significant divergence in how RRP<sup>†</sup> are regulated. These products' reduced-risk<sup>†</sup> potential has been recognised by regulators in the UK and New Zealand, both of which have publicly stated that RRP<sup>†</sup> represent a lower risk alternative to continued smoking. These countries have introduced proportionate regulatory frameworks that reflect this position while maintaining strong safeguards to prevent underage access. Other markets, including Greece, the Czech Republic and Sweden, have also signalled cautious support for Tobacco Harm Reduction as a complementary public health approach.

In contrast, several major markets – such as Brazil, Argentina, Mexico and India – remain sceptical of the potential public health benefits of RRP<sup>†</sup>. These countries have opted to impose broad restrictions or outright bans on product categories such as vapour products and tobacco heated products. Belgium and France, similarly, have prohibited the sale of nicotine pouches, while Kazakhstan has implemented a ban on vapour products. In other cases, governments have adopted more limited prohibitions – such as non-tobacco flavour bans or product-specific restrictions – that nevertheless reduce consumer choice.

It is increasingly important that this debate be informed by evidence, ensuring that millions of adult smokers, who would otherwise continue to smoke, are not discouraged from switching to reduced-risk<sup>†</sup> alternatives.

The UK and Sweden illustrate how balanced, science-led regulations that make RRP<sup>†</sup> available to adult consumers can accelerate Tobacco Harm Reduction.

#### The illicit RRP<sup>†</sup> market

Stricter nicotine regulations globally have also created significant challenges for the legitimate industry. For example, in 2024 the illicit market is estimated to have accounted for around 60% of global vapour product sales on a unit basis, being more than 76% of liquids (in litres) sold. We estimate that in the U.S. illegal flavoured and single-use vapour products account for 70% of the total U.S. vapour market. This rapid growth has in part been fuelled by regulatory gaps, particularly in regions with restrictive or unclear frameworks and inadequate enforcement. As a result, illicit products have proliferated the market.

## Beyond Nicotine



### Beyond Nicotine

3 5 10

The Wellbeing and Stimulation category covers products that consumers are seeking to better manage their daily wellbeing. It is expected to grow to £460 billion by 2030.

Some consumers are also beginning to look at alternative stimulant products that use nicotine-like analogues such as Ceretine, Metatine and Hippotine. These substances replicate certain effects of nicotine. However, they are not regulated as such, placing analogue-based products in a regulatory grey area and keeping them niche at present.

The nicotine and cannabis markets continue to evolve, and are expected to reach a combined US\$1.2 trillion in value by 2029. While the growth of the adult-use cannabis market is predominantly concentrated in the U.S., the global cannabis market is anticipated to expand as more countries reassess their prohibitionist approaches.

In Europe, Germany became the first major EU Member State to legalise personal cultivation and possession for recreational use in 2024, with Luxembourg and Malta taking similar steps and the Czech Republic legalising home cultivation and limited possession in 2026.

This shifting regulatory environment reflects a broader global trend, as governments assess the health, social and economic implications of legalisation and seek to balance public health objectives with consumer preferences and emerging economic opportunities.

# £460bn

Expected value of Wellbeing and Stimulation products by 2030

#### Notes:

Unless otherwise stated, all data sources within this section are from Euromonitor International research published in 2025 and based on 2024 data (the latest full year available), unless otherwise stated. All figures exclude China unless otherwise stated.

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

† Products 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.

# Quality Growth Highlights

## Quality Growth

Delivering Quality Growth emphasises the transition to a more balanced focus on top-line and bottom-line delivery, centred around our brands and innovation, and continuing to seek long-term opportunities Beyond Nicotine.

### The key building blocks of the Quality Growth pillar are:

Inspiring New Category Innovations & Brands

Managed Combustibles Transition

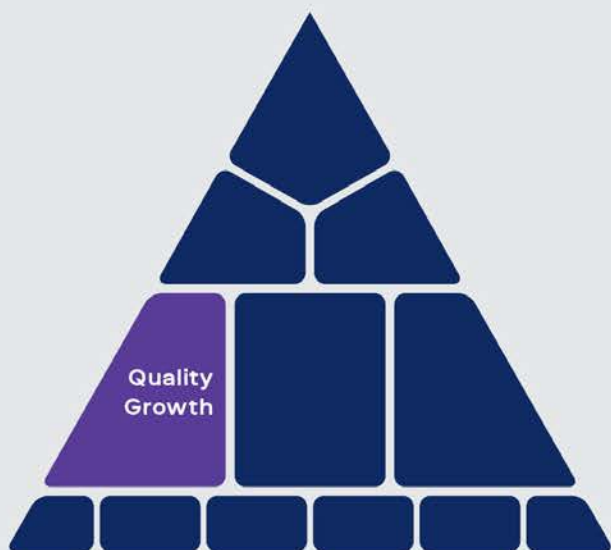
Beyond Nicotine Foundations

### Our commitments under Quality Growth:

Progressing toward quality, margin-accretive growth in Smokeless

FMC volume decline but expecting continued value delivery

Sensibly investing for the future Beyond Nicotine



### Inspiring New Category Innovations and Brands

Our portfolio of New Category products form the foundation of our transformation and commitment to Building a Smokeless World. Our innovative range of products is designed to encourage adult smokers, who would otherwise continue to smoke, to switch to scientifically-substantiated, reduced-risk<sup>†</sup> alternatives.

In 2025, our Quality Growth imperative focused on more targeted investments across our New Categories. We have built a fast-growing portfolio of New Category products in a short period of time with New Categories annual revenue now reaching £3.6 billion.

New Category contribution grew by a further £193 million (on a constant currency basis), with New Category contribution margin reaching 12.0%. Our focus on driving revenue growth and margin expansion will continue, leveraging our deep cross-category consumer insights. We aim to enhance our innovation pipeline by further investing in our capabilities, our intellectual property, our people and our science, driving an innovation-focused culture.

Our Centres of Excellence in Southampton, Trieste and Shenzhen continue to provide access to wider internal and external strategic partnerships focused on developing consumer-relevant premium propositions.

Three New Category product types underpin our efforts to Build a Smokeless World:

#### Vapour

Vuse, our global Vapour brand, is the #1 brand in the category (in rechargeable closed system consumables and disposables in tracked channels). It provides cigarette smokers, who would otherwise continue to smoke, with the opportunity to transition to smokeless alternatives<sup>†</sup>.

Vapour revenue was down 10.4% to £1,542 million in 2025 largely driven by the continued proliferation of illegal single-use vapour products in the U.S. and Canada, and the Group exiting the category in a number of APMEA markets. However, there are encouraging signs for Vuse in the U.S. with the brand back to revenue growth in the second half of 2025 (compared to the first half of 2025 and full year 2024) – supported by increased enforcement against illicit single-use vapour products at a Federal and State level.

Our new premium innovation, Vuse Ultra, offers adult consumers a differentiated, connected and personalised experience with a modern and stylish device. We are encouraged by the early performance of Vuse Ultra in Canada, Germany and France.

#### Heated Products

Our flagship Heated Product brand, glo, offers an alternative to smoking that doesn't involve burning and, following scientific studies, produces lower levels of certain toxicants than cigarettes. Revenue for the category was down by 0.7%, due to a translational foreign exchange headwind of 1.7%. On a constant currency basis, revenue was up 1.0%.

While growth in the category has been impacted by competitive pressure, momentum is building with the roll-out of glo Hilo in our largest profit pools.

glo Hilo and glo Hilo Plus are our new premium connected devices which provide adult consumers with superior dual-heating technology and an integrated display, combined with a new consumables range, Virto and tobacco-free Rivo. We have continued the roll-out through 2025, with launches in Japan, Poland and Italy.

#### Notes:

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

† Products 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.

## Modern Oral

Velo is our leading Modern Oral brand. Unlike inhalable products, Modern Oral products are nicotine pouches that are placed between the gum and upper lip so that nicotine can be absorbed effectively. They are typically manufactured tobacco leaf-free.

Revenue for the category was up 47.4% to £1,165 million in 2025, largely driven by the successful roll-out of Velo Plus in the U.S.

Modern Oral was the fastest growing New Category, with strong volume and value share growth reflecting the strength of our portfolio in all regions.

In 2025, we launched our newest Modern Oral innovation, Velo Shift, offering adult consumers an innovative pouch shape and a new hexagonal can. Opportunities for these products in markets with established oral nicotine consumption and beyond, are vast – including in emerging markets.

### Accelerating our progress

Our innovation ecosystem is designed to deliver products that meet consumer demand and bring value to our business. In designing our products, we look to assess their environmental credentials and ensure they are compliant, ready for global market roll-out. Most importantly, they must align with our A Better Tomorrow™ vision through Building a Smokeless World and reducing the health impact of our business.

To drive quality growth and transform faster, we will focus our resources on combining powerful innovations and world-leading brands. To deliver an innovation step change, we will continue to use powerful consumer insights and their application to drive innovations that appeal to adult consumers. We will further strengthen and differentiate our Smokeless brands to profitably accelerate our smokeless business and achieve significant scale in order to realise our vision.

## Managed Combustibles Transition

We are committed to becoming a predominantly smokeless business, with an ambition to reach 50% of our revenue from Smokeless products by 2035.

The best choice any adult smoker can make will always be quitting combustible tobacco products completely. Yet many do not. With the most recent estimate<sup>1</sup> of smokers at over a billion globally, the long-term opportunity for growth as we deliver on our transformation is vast.

The continued performance of our combustibles business is key to delivering Quality Growth and generating the funds necessary to invest in New Categories and Build a Smokeless World.

Our aim is for the combustibles business to deliver sustainable revenue, adjusted gross margin and category contribution growth (both as adjusted for Canada)<sup>1</sup>, on a constant rate basis. Digital integration and revenue growth management play a key role in delivering revenue growth.

A product transformation programme is underway to enable a simpler and rationalised product portfolio to enable adjusted gross margin growth.

As part of this, we continue to refine the number of tobacco leaf grades, blends, cigarette formats and stock keeping units (SKUs) in our portfolio.

To deliver category contribution growth, we will focus on marketing spend optimisation and on simplifying our combustibles portfolio to enable the delivery of a managed combustibles transition.

### Notes:

\* On an adjusted, constant rate basis as adjusted for Canada, as discussed on page 377 of the Annual Report 2025.

1. WHO global report on trends in prevalence of tobacco use 2000-2024 and projections 2025-2030. Geneva: World Health Organization; 2025. Available at: [www.who.int/publications/item/9789240116276](http://www.who.int/publications/item/9789240116276)

2. IRI/Circana Consulting.

3. Euromonitor 2024 Market Sizing Data | Global.

4. Euromonitor 2024 Market Sizing Data | Global.

## Beyond Nicotine Foundations

### Wellbeing and Stimulation

Consumers are increasingly seeking healthier lifestyles and ‘better-for-you’ products that help them manage their daily wellbeing. We call this category Wellbeing and Stimulation (W&S) and expect the category to grow to £460 billion by 2030, from around £300 billion in 2024, according to most recent estimates<sup>2,3</sup>.

Many of these products historically are in common formats like pressed tablet supplements and sugar-based sports and energy drinks. Recently, however, there has been a consumer shift towards products that are less artificial, more enjoyable, have greater functional efficacy, are easier to use and understand, and provide a wider range of functional benefits.

After over a century in nicotine, BAT has significant expertise in providing stimulation through enjoyable solutions supported by our science and regulatory capability, alongside robust route-to-market infrastructure.

As a result, we are well positioned to explore the development of a W&S business by leveraging existing capabilities and external partners.

Over the last three years, we have been developing, piloting and growing a functional wellbeing shots brand called Ryde in the U.S., Australia and Canada. The brand continues to expand commercially across those three markets.

In addition to Ryde wellbeing shots, we are building a W&S pipeline of products to ensure sustained competitiveness to win in this exciting category. This includes internal scientific development of new products and also working with Btomorrow Ventures (BTV) to guide and support our investments or potentially larger scale M&A in the future.

### Cannabis

As a growing and exciting category for the future, cannabis has significant potential for BAT’s development and progression of Beyond Nicotine. The global legal recreational cannabis market has grown, from around £5 billion (2019) to £13 billion (2024)<sup>3</sup>. It is predicted to continue to grow by 8%<sup>4</sup> each year, with non-combustible formats driving this category growth.

We believe this is signalling a shift away from traditional smokable combustible cannabis formats into other, potentially less harmful, more progressive consumption methods.

The regulatory environment and consumer sentiment towards cannabis is also evolving. From the reclassification of medical cannabis in Germany, to the roll-out of recreational pilot programs in Switzerland and the Netherlands, we are seeing progress across the globe. Such developments are essential to further exploration of the category, and we will continue to monitor the changes in the regulatory environment as it evolves.

In February 2025, BAT paid the last of the three tranches of its follow-on investment (CAD\$125 million (£74 million)) made in 2023 into the Canadian cannabis company Organigram Global Inc. (Organigram). As part of this investment, Organigram has established Jupiter, a strategic investment pool, intended to be utilised for emerging opportunities within the cannabis space.

As part of BAT’s strategic investment into Organigram, it established a joint-Product Development Collaboration (PDC) Agreement and Centre of Excellence. Located in Canada at one of Organigram’s facilities, the PDC was set up to leverage the expertise of both organisations, to develop the next generation of non-combustible cannabis products. The PDC has developed a nano-emulsion technology which enables quicker and more efficient absorption during consumption, addressing a key consumer pain point in edible technology.

In 2025, the PDC team made progress in this space with Organigram continuing to expand the nano-emulsion portfolio into new products and jurisdictions.

# Dynamic Business Highlights

## Dynamic Business

The Dynamic Business pillar envisages a future-fit, data-driven organisation; ensuring we are efficient and effective in all of our operations.

This will ensure that we deliver financial flexibility to invest in our business, people and products to win in a fast-changing environment and deliver superior returns to our investors.

### The key building blocks of the Dynamic Business pillar are:

Exciting, Winning Company

Operational Excellence

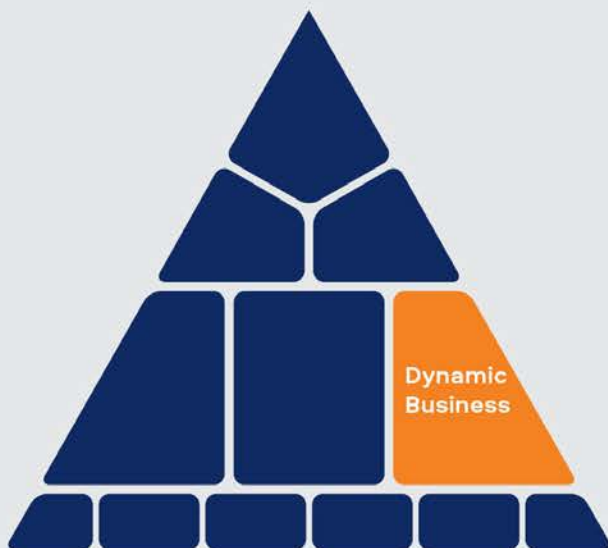
Capital Effectiveness

### Our commitments under Dynamic Business:

Creating a diverse, inclusive and people-oriented place to work

Being data-driven and delivering operational excellence/cost management

Focused on investors' returns



## An Exciting and Winning Company A Better Tomorrow™

At BAT, our people are the heart of our business and they are key to driving our purpose. This is why our focus on culture transformation is so important.

Our People Strategy, which we introduced in 2024, is centred around three ambitions for 2030:

- enabling tomorrow’s success for our business and colleagues;
- creating an amazing people experience; and
- making BAT the place to be for current and prospective talent.

Our ambitions are complemented by our six corporate Values, which act as a compass, ensuring our people understand what is expected of them and the part they play in bringing BAT’s vision to life.

The Values are:

- Truly inclusive
- Empowered through trust
- Stronger together

We have purposefully designed our People Strategy to ensure we can be ready for future changes and respond to consumer needs at pace. Our strategy is anchored around five bold intentions which we expect to be owned and driven by every people leader at BAT.

### People Strategy



#### Shaping a performance-driven and dynamic organisation

As a responsible employer, we recognise the link between accountability, performance and reward. To ensure we meet the needs of our business, we regularly assess the design of our organisation to ensure we can access and develop the capabilities we need, while providing a great experience for our people. We are proud that our efforts in this space have been recognised externally, with BAT winning awards for being an employer of choice. In 2025, we were recognised as a Global Top Employer for the eighth consecutive year.

#### Nurturing relevant capabilities

From graduates to senior hires, we are committed to attracting, developing and retaining talent across the globe to drive our transformation agenda – whether through in-house development, assignments, or hiring new skills.

We regularly assess and invest in our learning and development programmes to ensure they are impactful and deliver the capabilities we need.

Complementing our existing global portfolio, in 2025 we launched additional programmes focused on developing critical transformation capabilities across our Corporate & Regulatory Affairs, Finance, Science & Research, and Operations functions. In addition, we developed and piloted five Leadership Development programmes for key employee segments, helping to develop We regularly assess and invest in our learning and development programmes to ensure they are impactful and deliver the capabilities we need.

Complementing our existing global portfolio, in 2025 we launched additional programmes focused on developing critical transformation capabilities across our Corporate & Regulatory Affairs, Finance, Science & Research, and Operations functions. In addition, we developed and piloted five Leadership Development programmes for key employee segments, helping to develop critical knowledge and leadership skills, supporting the delivery of BAT's strategy.

#### **Creating a purposeful and energising environment**

Alongside our six corporate Values and the Diversity and Inclusion enablers we have in place, we are transforming our approach to employee listening and wellbeing.

To deliver on our commitment to wellbeing, our global benefits and Wellbeing Guidelines and the LiveWell framework are now in 80% of our markets. The LiveWell framework reflects a holistic view of wellbeing, focusing on emotional, physical, financial, and social pillars. Informed by employee needs and feedback, the framework drives greater consistency across our offerings, ensuring we prioritise wellbeing and create an empowering environment where our people can thrive both personally and professionally.

#### **Accelerating simplification and digitalisation**

As part of our digital transformation, in 2025, we announced a strategic partnership with Accenture. Through this partnership, we are transitioning our Global Shared Services to Accenture, which gives us access to Accenture's cutting-edge technology ecosystem, AI solutions and its strategic collaboration with world-leading companies. These capabilities will help us to further simplify our processes, accelerate our speed to market, upskill talent and reduce costs over the medium to long-term.

#### **Evolving into a future-ready HR function**

While our people strategy is ultimately owned by the Human Resources (HR) function, every leader at BAT is a co-owner and responsible for ensuring its effective deployment across the business. To achieve this, we launched our HR Capability Framework, which defines the capabilities our HR function needs now and in the future, to ensure effective business partnering and to help the Group's objectives. We also started the Harmony programme - upgrading our HR technology and bringing together HR solutions to support a consistent, future-ready HR ecosystem enabling efficiency and empowerment.

### **Operational Excellence**

#### **Focus areas**

To achieve the delivery of our refined corporate strategy and our vision of Building a Smokeless World, greater focus on our global execution will be required. This includes where and how we allocate resources at a regional and market level, and driving greater productivity while reducing complexity.

#### **Driving productivity and growth**

Through our digital transformation, we are increasing our use of data to become a data-led organisation. Our focus is on the effective and efficient delivery of our products and innovations to satisfy consumers, drive growth and create value and Build a Smokeless World.

In order to meet and respond to the challenges of an ever-changing external environment, we continue to invest in technology to be a more efficient and effective business, with AI-enabled, data-driven systems and ways of working to match.

Under the Operational Excellence pillar of our refined corporate strategy, three focus areas will be key to driving progress: optimising our manufacturing operations; reducing complexity in our ways of working and processes, including using AI and data-enabled technology; and our Global Business Services (GBS) Centres of Excellence.

#### **At-scale operations**

We have a global manufacturing footprint designed to ensure an efficient supply chain across both combustibles and Smokeless products.

Manufacturing tobacco and nicotine products is a large-scale operation and we have manufacturing facilities all over the world.

In 2025, the Group manufactured cigarettes in 36 factories in 35 countries. Our factory outputs and facilities vary significantly in size and production capacity. We also have manufacturing sites for our range of Smokeless products.

In line with our corporate commitment to fight climate change, many of our factories have decarbonisation, water usage and waste optimisation programmes in place.

We work to ensure that our costs are globally competitive and that we use our resources as effectively as possible. Our production facilities are designed to meet the needs of an agile and flexible supply chain.

We also use third-party manufacturers to manufacture the components required, including the devices, related to our New Category products. Such third-party manufacturers supplement our own production facilities in the U.S., Poland and Indonesia to produce the liquids used in Vapour products and devices.

By continuing to improve our productivity in all areas of our supply chain, we can increase our profitability and continue to deliver sustainable returns to our shareholders.

However, it is not just about today. These initiatives also underpin our future. The more efficient and effective we become, the more we are able to generate funds to invest in the things that will fuel future growth: our products, our innovations and our people.

#### **Working with farmers**

While we do not own tobacco farms or directly employ farmers, we source tobacco leaf directly from c.91,000 contracted farmers and through third-party suppliers, mainly in emerging markets.

With our contracted farmers, we continually strive to improve sustainability and viability. We focus on improved quality, cascading more resistant hybrid seeds, tailored mechanisation to reduce costs of production, and increased yield.

We review our contracts on an annual basis considering Group requirements over the medium-term to promote the stability of demand and supply on production volume.

We have similar expectations of our third-party suppliers in relation to their farmer contracts.

As with any other global agricultural commodity, international tobacco prices vary from year to year. This is driven by changes in the cost of production, like labour costs and agricultural inputs, local inflationary pressures and economic, political and market conditions, as well as climatic conditions that impact supply, demand and quality of the tobacco grown.

# Dynamic Business Highlights Continued

## Capital Effectiveness

Capital Effectiveness is a key focus of delivering a Dynamic Business to Build a Smokeless World.

The key objective is to unlock shareholder value by optimising access, utilisation and return of capital resources. The key initiatives include:

- maximise our cash generation;
- invest in the right opportunities;
- optimise the return on our investments;
- reduce our debts; and
- generate sustainable returns.

Our active capital allocation framework considers the continued investment in our transformation, the macro-environment, potential future litigation and regulatory outcomes.

Our Board continues to review our capital allocation priorities including both internal and external opportunities and our external stakeholders while considering the uncertain macro-environment, foreign exchange fluctuations and higher interest rates.

## Cash Generation

Maximising cash generation is an essential component in our capital allocation decisions.

Driven by rigorous working capital management, the Group generated an operating cash conversion in each of the last five years of at least 100%.

While the Group remains highly cash generative, cash is a critical resource to ensure that we can invest in the right opportunities in Building a Smokeless World.

Recent macro-economic trends, including geopolitical instability, conflicts, inflation and interest rate volatility, have meant that cash is a costly resource. As such, internally generated cash and working capital are much more valuable and they must be mobilised effectively and optimised efficiently.

This will be done by continuing to focus on a high cash conversion rate as well as rigorous focus on working capital.

### Our commitment:

To generate over £50 billion of free cash flow before dividends between 2024 and 2030 (inclusive).

### Our record:

Since 2024, the Group has generated £11.9 billion of free cash flow (before dividends).

Excluding material payments in areas such as the Canadian litigation settlement and repayments in respect of FII GLO, we have generated significant cash returns and expect to continue to generate around £8 billion of free cash flow (before dividends) annually.

This is despite the significant investment in New Categories and while incurring external payments made in respect of litigation and settlements. This demonstrates the resilience of the Group to continue to generate exceptional cash flow, while delivering the Group's transformation ambitions.

## Maximising our Investments

As we continue to build A Better Tomorrow™, the Group seeks to optimise the return on our investments and seeks to invest in the right opportunities.

In 2026, the Group expects to invest around £750 million of gross capital expenditure to enhance our growth opportunities and deliver operational efficiencies. This includes purchases of property, plant and equipment related to the ongoing investment in the Group's operational infrastructure, including the expansion of our New Categories portfolio and enhancements to our Modern Oral capacity.

We will continue to proactively assess the performance of our assets to ensure value is maximised through operational returns or through disposal.

In addition, as part of our transformation, we invest in the Wellbeing and Stimulation space and through our venturing unit, Btomorrow Ventures, and in the cannabis space, including in Organigram.

### Our commitment:

To continue to actively assess investments, be it for acquisition or disposal, to maximise our delivery and provide the right infrastructure for the BAT of tomorrow.

### Our record:

The acquisition of Reynolds American Inc. impacted our capital base.

We have improved our adjusted return on capital employed consistently from 8.3% in 2018 to 12.1% in 2024, with a further improvement to 12.3% in 2025.

Including the adjustment for Canada (excluding New Categories), adjusted ROCE was 12.0%, an increase from 11.6% in 2024.

For the definitions of the Group's non-GAAP measures, please refer to page 377 to page 391 of the Annual Report 2025.

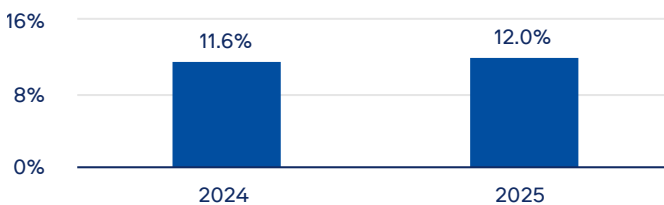
### Strong operating cash conversion driven by continued focus on cash delivery



A ■ Adjusted cash generated from operations (£m)

B ■ Operating cash conversion (%)

### Adjusted Return on Capital Employed, as adjusted for Canada



■ Adjusted return on capital employed, as adjusted for Canada (%)

### Capital Allocation Framework



### Reducing Debt

Total borrowings (which includes lease liabilities) decreased to £35,070 million in 2025 (2024: £36,950 million).

Total borrowings include £591 million (31 December 2024: £670 million) in respect of purchase price adjustments related to the acquisition of Reynolds American Inc.

The Group remains confident about its ability to access the debt capital markets successfully and reviews its options on a continuing basis.

We have a credit rating\* of Baa1 (stable outlook), BBB+ (stable outlook), BBB+ (stable outlook) by Moody's, S&P and Fitch.

Our leverage target range is 2.0-2.5x adjusted net debt to adjusted EBITDA (adjusted for Canada).

Given the challenges of the external environment, the Group continues to aim to:

- de-lever our gross debt levels (from £35.1 billion in 2025); and
- moderate the annual Net Financing Cost levels to support the overall strategy of the Group.

This is expected to deliver a resilient balance sheet, able to withstand future uncertainties, de-risk the future solvency and liquidity risk, and provide increased flexibility for the Group to be able to invest in growth opportunities and sustainably return excess cash to shareholders.

#### Our commitment:

To retire debt in a sustainable manner, reducing our risk of refinancing and net finance cost exposures, while continuing to target a solid investment-grade credit rating of Baa1, BBB+ and BBB+ by Moody's/ S&P/Fitch.

#### Our record:

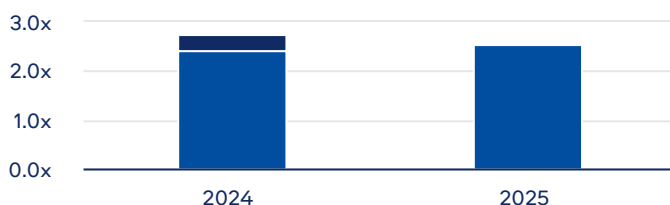
Since the acquisition of Reynolds American Inc. in 2017, we have consistently reduced our borrowings from £49.1 billion to £35.1 billion at 31 December 2025.

Our leverage (as measured by the ratio of adjusted net debt to adjusted EBITDA, (adjusted for Canada since 2024) has also improved from a high of 5.3x in 2017 to 2.55x in 2025.

#### Note:

\* A credit rating is not a recommendation to buy, sell or hold securities. A credit rating may be subject to withdrawal or revision at any time. Each rating should be evaluated separately of any other rating.

### Adjusted Net Debt to Adjusted EBITDA



A ■ Adjusted Net Debt to Adjusted EBITDA (times)

B ■ Adjusted for Canada cash and adjusted EBITDA

### Generate Sustainable Returns

Generating shareholder value, via sustainable returns, is an integral part of our strategic ambition.

Over the past 25 years we have consistently grown the dividend per ordinary share in absolute terms.

On 12 February 2026, the Company announced that the Board had declared an interim dividend of 245.04p per ordinary share, payable in four equal quarterly instalments of 61.26p per ordinary share in May 2026, August 2026, November 2026 and February 2027.

This represents an increase of 2.0% on 2024 (2024: 240.24p per share, up 2.0%).

The Board is committed to strengthening the balance sheet to provide greater business reliance during an uncertain macro-economic environment, whilst aiming to reduce leverage towards the middle of our 2.0-2.5x adjusted net debt to adjusted EBITDA (adjusted for Canada) target corridor.

We strongly believe that share buy-backs have an important role to play within our capital allocation framework.

Since recommending the share buy-back programme in 2024, the Group has repurchased a total of £1.8 billion of shares, with a further £1.3 billion expected to be executed in 2026.

#### Our commitment:

Progressive dividend – in sterling terms, by reference to the Group's dividend policy which is to pay dividends of 65% of long-term sustainable earnings, calculated with reference to adjusted diluted earnings per share.

To buy back shares in a sustainable programme, with reference to our target leverage range of 2.0-2.5x adjusted net debt to adjusted EBITDA (adjusted for Canada).

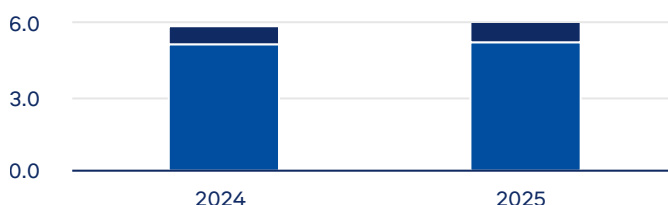
#### Our record:

In 2025, 2024 and 2023, we have returned:

- £5.2 billion (2024: £5.2 billion; 2023: £5.1 billion) via dividends;
- £1.1 billion via share buy-backs in 2025; and
- £0.7 billion via share buy-backs in 2024.

Since 2020, we have returned a total of £33.9 billion to shareholders.

### Allocating Free Cash Flow to Shareholders (£bn)



A ■ Dividend (£bn)

B ■ Share buy-back (£bn)

# Sustainable Future Highlights

## Sustainable Future

Building a Sustainable Future is about seeking to actively migrate adult smokers, who would otherwise continue to smoke, from cigarettes to smokeless alternatives responsibly and with integrity.

Science will be a primary driver of our efforts, supported by more active external engagement and regulatory focus, while embedding sustainability across our organisation.

### The key building blocks of the Sustainable Future pillar are:

Tobacco Harm Reduction Acceptance

Shaping the Landscape

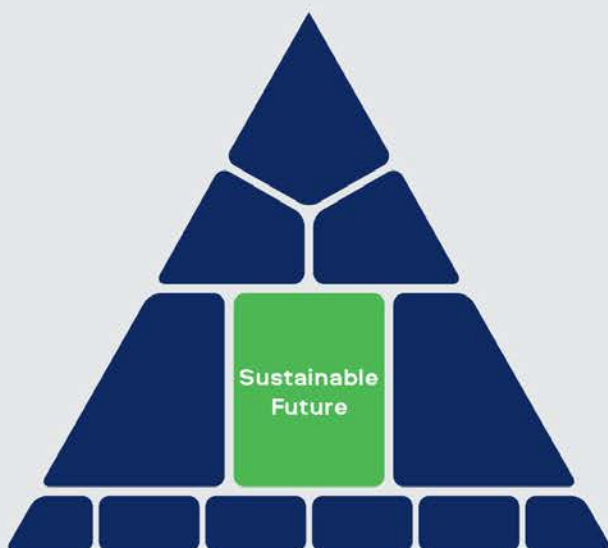
Leading in Sustainability and Integrity

### Our commitments under Sustainable Future:

Building a Smokeless World

Investing in the products, science and engagement to make A Better Tomorrow™ a reality

Conducting our business responsibly and with integrity



### Tobacco Harm Reduction (THR) Acceptance

Reducing the health impact of our business by Building a Smokeless World is crucial to a sustainable future. We believe, with greater acceptance of Tobacco Harm Reduction (THR) as a public health strategy, a Smokeless World can be achieved. This would ultimately be evidenced by a significant reduction in projected population level smoking-related morbidity and mortality.

The World Health Organization estimates that smoking-related diseases cause over eight million deaths globally each year<sup>1</sup>. We know cigarettes pose serious health risks, and the only way to avoid those risks is not to start smoking or to quit.

We aim to provide smokers – who would otherwise continue to smoke – with a choice of Smokeless products that deliver similar satisfaction to cigarettes in their nicotine delivery, use, and sensorial experience. For example, while we are clear that our New Category products (excluding certain products within the Modern Oral category) are not cessation products and are not marketed as such, some independent studies suggest that vapour products are more successful than nicotine replacement therapy in helping people stop smoking<sup>2</sup> by providing a satisfactory alternative.

With four global categories of reduced-risk<sup>††</sup> products: Heated Products, Vapour Products, Oral Tobacco Products and Oral Nicotine Pouches, significant progress has been made. It is estimated that there are now more than 115 million<sup>3</sup> consumers of Smokeless products globally. The latest estimate of the global number of vapour product consumers alone is over 86 million<sup>4</sup>.

Stakeholders increasingly expect us to demonstrate that we are a purpose-driven business, and to continue to make progress towards our ambition to Build a Smokeless World.

#### World-class science

Demonstrating the reduced-risk<sup>††</sup> status of Smokeless products, compared to smoking, can only be done with robust science. Every year we invest significantly to find innovative ways to contribute to THR.

We use various analytical and pre-clinical techniques, specialised laboratory technology and expertise to test our products, and aim to ensure they meet high quality standards. This is complemented by collaborations with global external researchers, and clinical research organisations, who bring independent, specialist expertise that enhance our internal capabilities.

We are always innovating, experimenting, and delivering new THR solutions. This is why our Science and Product Innovation are so important, accelerating pioneering approaches to our Smokeless products

#### THR substantiation

As most smokeless alternatives are relatively new to the market, they lack long-term epidemiological data that could show their overall impact on public health. Therefore, it is necessary to take a 'weight of evidence' approach, using the best available data to draw conclusions.

Drawing on work by the U.S. Institute of Medicine, we use our nine-step risk assessment framework. This evaluates the emissions, exposure and risk profile of our Smokeless products and compares them to cigarettes or other comparators.

In terms of THR scientific substantiation, our New Category products have been evaluated in peer-reviewed pre-clinical, clinical, and population level research publications and journals, summarising significant reductions in emissions, exposure and risk markers versus smoking.

We aim to follow best practice and adhere to high standards of governance and ethics in all our scientific research. We publish our science, which undergoes rigorous peer-reviews, and we participate at global scientific conferences. As of 31 December 2025, our scientists have published 276 scientific papers about our Smokeless products.

### Our Ten THR Beliefs

**In our view, the fastest and most effective way to achieve a Smokeless World is to embrace THR as a public health strategy for those who would otherwise continue to smoke.**

Our ambition to reduce the health impacts of our business is clear. For many years we have worked diligently to develop and offer a range of reduced-risk<sup>†</sup> tobacco and nicotine products compared to cigarettes. This fulfils a core part of the THR equation; we provide those adult smokers who would otherwise continue to smoke with options to switch completely to smokeless alternatives.

While progress has been made, there is still more to do to make a Smokeless World a reality. Through our Ten Beliefs, our commitment to THR is reaffirmed, recognising the significant opportunity it presents to Build a Smokeless World.

We have invested significantly in THR through the development of our portfolio of Smokeless products. This has resulted in Smokeless products becoming more acceptable to those who would otherwise continue to smoke, and commercially sustainable. Our engagement with regulators and policy makers on THR is underpinned by our open and transparent regulatory positions

### We believe:

- 1 A Smokeless World is possible.
- 2 Tobacco Harm Reduction (THR), underpinned by robust science, is the best route to a Smokeless World.
- 3 The weight of evidence supports THR today.
- 4 The public health community should embrace THR and smokeless alternatives, not prohibition.
- 5 Tobacco and nicotine are for adults only and never for the underaged.
- 6 Adult nicotine consumers should have access to information about smokeless alternatives and the right to make informed choices.
- 7 If you don't smoke, don't start. If you smoke, quit. If you choose not to quit, switch completely to Smokeless products.
- 8 Innovation and a well-regulated, responsible marketplace are critical to enabling THR.
- 9 No one can drive a Smokeless World alone.
- 10 A Better Tomorrow™ is a Smokeless World.



### Omni™ – one year on

In 2025 we celebrated a year of Omni™, our dynamic resource and manifesto for change. From achieving over 12,000 downloads and launching in 23 markets across the world, to winning awards externally, our groundbreaking platform continues to evolve.

Omni™ was named the Global PR Campaign of the Year at the 2025 Platinum PR Awards in New York, and was also recognised by one of Spain's leading newspapers, La Razón, winning the Innovative and Transformative Initiative Driving Change Towards a Smoke-Free World award.

Our ambition to lead the THR conversation through robust science and evidence is fundamental. As evidence and science progress, so will Omni™, and we will continue to offer insights and drive progress to Build a Smokeless World and create A Better Tomorrow™.

Another THR milestone in 2025 was the launch of The Smokeless Word podcast – inspired by themes from Omni™. Hosted by our Chief Corporate Officer, Kingsley Wheaton, and available on all streaming platforms, listeners are invited to explore new perspectives on what Building a Smokeless World means.

The thought-provoking series has grown in popularity, garnering over 23 million views<sup>5</sup> in 2025, and provides reflective, unfiltered conversations with a wide range of guests.

#### Notes:

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

† Products 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.

1. World Health Organization, WHO report on the global tobacco epidemic 2021: addressing new and emerging products. 2021. Available at: <https://iris.who.int/handle/10665/343287>  
 2. Lindson N, Butler AR, McRobbie H, Bullen C, Hajek P, Begh R, Theodoulou A, Notley C, Rigotti NA, Turner T, Livingstone-Banks J, Morris T, Hartmann-Boyce J. Electronic cigarettes for smoking cessation. Cochrane Database of Systematic Reviews 2024, Issue 1. Art. No.: CD010216. DOI: 10.1002/14651858.CD010216.pub8  
 3. Tobacco Intelligence, Regulatory & Market Intelligence for Alternative Tobacco & Nicotine Products, Nicotine Pouch Market Database, Quarter 1 Report. 2024.  
 4. WHO global report on trends in prevalence of tobacco use 2000-2024 and projections 2025-2030. Geneva: World Health Organization; 2025. Available at: [www.who.int/publications/item/9789240116276](http://www.who.int/publications/item/9789240116276)  
 5. Organic, paid and YouTube views of The Smokeless Word podcast in 2025

# Sustainable Future Highlights Continued

## Shaping the Landscape

### THR and nicotine

Societal understanding of nicotine is crucial in THR. A common misconception is that nicotine, as a substance, is the primary cause of smoking-related diseases. However, the cause of the vast majority of such diseases is not exposure to nicotine, but the toxicants released by the burning of tobacco.

This fact is recognised by several regulators (including the U.S. FDA) and public health stakeholders (including the UK Royal College of Physicians). However, the most recent data available shows that more than 60% of adults and 80% of doctors believe that nicotine causes cancer<sup>1,2</sup>.

With this level of misperception, and nicotine being a highly politicised topic, society's understanding of nicotine is one of the key challenges that needs to be overcome to enable further THR progress.

Through our Global Science Engagement programme, we seek to progress our science with external scientists via peer review publications and conferences. As well as publishing our own research, our scientists monitor and review external publications to gain a more holistic view of the available and evolving evidence.

### Product innovation and choice

Adult consumer choice is an important component of THR success. We recognise that smokers, who would otherwise continue to smoke, are more likely to switch to Smokeless alternatives when they find a product that delivers convenience and similar sensorial satisfaction.

That is why we offer a multicategory portfolio of Smokeless alternatives, tailored to meet the varied preferences of different adult smoker consumer segments. Importantly, the ingredients and materials in our products undergo toxicological and risk assessment to ensure that they meet applicable standards.

Our Smokeless product innovation pipeline is based on data-driven foresights to anticipate category and consumer trends. Drawing on consumer insights, we deliver new product propositions that are consumer-centric in their design and performance, to meet the most important consumer preferences and opportunities.

### Our approach to regulation

We recognise and support the objective of governments to reduce smoking rates and associated health impacts.

We have been consistently clear that we support regulation which is based on robust evidence, tailored to local circumstances, and delivers on the intended policy aims, while preventing unintended consequences such as the growth in illicit markets.

Although not risk-free<sup>†</sup>, recent technological and scientific advancements in Smokeless products offer consumers the opportunity to enjoy nicotine products, without the need to burn tobacco.

Our experience shows that where risk-proportionate regulation encourages smokers – who would otherwise continue to smoke – to choose these Smokeless alternatives, smoking rates can be more effectively reduced compared to relying on coercive policies which are either not based on evidence or which seek to prohibit products or behaviours<sup>3</sup>.

The success of THR will depend on progressive regulation and changes in consumer behaviour. We believe both are essential if countries around the world are to achieve the 'smoke-free' threshold of less than 5% smoking incidence in the population.

Countries like Sweden have already started to demonstrate the art of the possible with THR. With the lowest smoking rates in Europe - 5.3% daily smoking prevalence in 2024<sup>4</sup> - Sweden is on the verge of achieving its 'no smoking target' years ahead of the 2040 EU target. This is likely due to the widespread awareness, availability and usage of snus and other smokeless alternatives.

## Our views on regulation of Smokeless tobacco and nicotine products

We believe regulation should recognise that, based on current scientific evidence, Smokeless tobacco and nicotine products likely pose less risk<sup>†</sup> than cigarettes, and support their use as an alternative for those adult smokers who would otherwise continue to smoke.

There are four guiding principles that we believe should be applied to the development of any regulation of Smokeless products:

- **Based on science and evidence:** Regulation should be based on the best available science and evidence for each product category and be proportionate to the risk of the product versus combustible cigarettes.
- **Ensure product quality and consumer relevance:** Regulation should mandate robust product quality and safety standards and allow access to products with satisfying nicotine levels and adult-targeted flavours.
- **Allow adult-only access:** Regulation should enable adults to access and gain information about the availability of reduced-risk<sup>†</sup> products, while preventing use by the underage.
- **Enable effective enforcement:** Regulation should include an effective regime for penalties, sanctions and enforcement, coupled with appropriate investments on enforcement activities to drive compliance.

Regulation of Smokeless products continues to evolve.

Globally, there are some regulators passing progressive laws that encourage adult smokers who would otherwise continue to smoke to switch to Smokeless products, but there are other regulators who view them more cautiously.

As the science and evidence to substantiate these products grows, we hope to see more countries passing progressive regulations, accelerating a reduction in smoking rates, supported by the growth in the use of Smokeless products.

We believe a stakeholder-inclusive, whole-of-society, open dialogue is essential. That dialogue should include regulators, policy-makers, public health, consumers, and the industry.

It is key to align all stakeholders on the positive public health potential and develop effective policies and encourage consumer behaviour that can accelerate THR as quickly as possible.

Regulation around Smokeless products should be founded on evidence and science, not mere opinion.

### Notes:

- \* Based on the weight of evidence and assuming a complete switch from cigarette smoking. These products are not risk free and are addictive.
- † Products 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.
- 1. World, F. for a S.-F. (n.d.). Nearly 80% of Doctors Worldwide Mistakenly Believe Nicotine Causes Lung Cancer, Thwarting Efforts to Help One Billion Smokers Quit. [online]. Available at: [www.prnewswire.com/news-releases/nearly-80-of-doctors-worldwide-mistakenly-believe-nicotine-causes-lung-cancer-thwarting-efforts-to-help-one-billion-smokers-quit-301881655.html](http://www.prnewswire.com/news-releases/nearly-80-of-doctors-worldwide-mistakenly-believe-nicotine-causes-lung-cancer-thwarting-efforts-to-help-one-billion-smokers-quit-301881655.html)
- 2. Weiger C, Moran MB, Kennedy RD, Limaye R, Cohen J. Beliefs and Characteristics Associated With Believing Nicotine Causes Cancer: A Descriptive Analysis to Inform Corrective Message Content and Priority Audiences. *Nicotine Tob Res.* 2022;24(8):1264-1272. doi:10.1093/ntr/ntac060
- 3. Fagerström, K. (2022). Can alternative nicotine products put the final nail in the smoking coffin? *Harm Reduction Journal*, 19(1). doi:doi.org/10.1186/s12954-022-00722-5
- 4. Human, D., et al./ The Safer Nicotine Revolution: Global Lessons, Healthier Futures. Smoke Free Sweden 2025. Available at: [www.smokefreesweden.org/safer-nicotine-revolution.pdf](http://www.smokefreesweden.org/safer-nicotine-revolution.pdf)

## Responsible marketing of our products

Wherever we operate, we are guided by our Product Stewardship approach – for quality and safety standards, and our Responsible Marketing Principles (RMP) and Responsible Marketing Code to ensure that we market our products responsibly.



### ACCESS TO CONSUMER RELEVANT PRODUCTS

- Regulations in all countries where cigarettes are sold should also allow a wide range of Smokeless alternatives to cigarettes to ensure that consumers can access these alternatives and make informed choices.
- Nicotine levels should be established to ensure Smokeless products are a satisfying alternative for adult smokers who would otherwise continue to smoke.
- A variety of adult-targeted flavours should be available, as evidence shows that certain flavours help smokers who would otherwise continue to smoke to transition to reduced-risk<sup>†</sup> alternatives. Flavours, packaging designs and descriptors that are particularly appealing to the underage should be prohibited.
- Regulation should keep pace and be adaptable to new product innovation. This would allow scientific and technological advancements to deliver consumer-relevant new product propositions and at speed, so that smokers can access even better options.



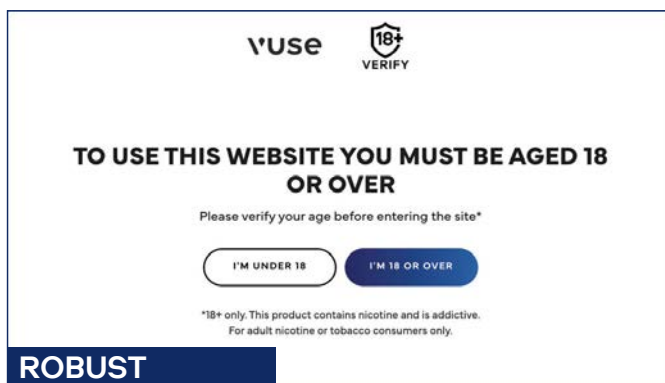
### PRODUCT QUALITY AND SAFETY

- Robust and properly enforced product quality safety standards should be at the heart of any regulation.
- Products should be used as intended by consumers and manufacturers should be required to ensure that all products are tamper-evident to secure product integrity.



### ADULT-ONLY CONSUMERS

- The use and sale of smokeless tobacco and nicotine products by and to the underage should be prohibited by law.
- Age-verification mechanisms should be mandated at point of purchase and, where feasible, regulation should aim to encourage the integration of underage access prevention technologies.
- Communication is necessary to provide adult consumers with accurate information about reduced-risk products<sup>†</sup>. Communication with adults should be permitted in adult-targeted touchpoints and display responsible content.
- Any communication with consumers should have a clear and visible health warning and inform that nicotine-containing products are for adults only.



### ROBUST ENFORCEMENT

- Regulations should provide the relevant authorities with the powers to take enforcement actions and apply penalties and sanctions as appropriate.
- Enforcement authorities should leverage those powers and carry out enforcement steps to identify and sanction non-compliant products and actors.

**Notes:**

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

† Products 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.

# Our Sustainability Milestones

As our current 2025 targets reach maturity, we have highlighted the key milestones achieved over the last five years, paving the way for further progress in 2026 and beyond.

Link to impact areas **TOBACCO HARM REDUCTION (THR)** **CLIMATE** **NATURE** **CIRCULARITY** **COMMUNITIES**

<h3>Advanced our Commitment to Responsible Vaping Products</h3> <p>We have made progress on our goals while maintaining our dedication to high product quality and responsible product stewardship.</p> 	 <h3>Omni™</h3> <p>introduced in 2024 and recognised at the Global Platinum PR Awards, marking our efforts to reframe Tobacco Harm Reduction.</p>	<h3>Age-verification</h3> <p>-enabled Vapour products launched in three markets in 2025.</p>
<h3>Digital Sustainability Control Tower</h3> <p>We started its implementation in 2025, built on the Microsoft Sustainability Manager. The system centralises climate-related data, supporting regulatory compliance and better decision-making.</p> 	<h3>21%</h3> <p>reduction in Scope 1, 2, and 3 GHG emissions between 2020 and 2024, equivalent to 1,323 ktCO<sub>2</sub>e.</p>	 <h3>Triple-A</h3> <p>rating from CDP for our 2024 and 2025 disclosures on Climate Change, Water Security and Forest.</p>
<h3>Regenerative Agriculture Framework</h3> <p>We rolled out our Regenerative Agriculture Framework across key tobacco sourcing regions. The outcomes of ongoing pilot initiatives will inform our strategic direction to 2030.</p> 	 <h3>100%</h3> <p>Alliance for Water Stewardship (AWS)<sup>1</sup> certification across all our manufacturing sites achieved in 2025.</p>	<h3>50.8%</h3> <p>reduction in water withdrawn in 2025 (versus 2017 baseline), surpassing our target of 35% which was achieved two years ahead of schedule in 2023.</p>
<h3>Investing in eco-design</h3> <p>We launched our premium Vapour device with a removable battery, Vuse Ultra, marking a key step toward extending product life and helping to facilitate recycling.</p> 	<h3>0.85%</h3> <p>of our operational waste going to landfill achieved in 2025.</p>	 <h3>30.4%</h3> <p>reduction in absolute volume of operational waste generated in 2025 (versus 2017 baseline), with this 25% target achieved two years ahead of schedule in 2023.</p>
<h3>Achieved our labour audit target</h3> <p>We met our 2025 target for 100% of product materials and Higher-Risk Indirect Suppliers to have undergone at least one independent labour audit within a three-year cycle.</p> 	 <h3>93.5%</h3> <p>of our farmers in the Thrive Supply Chain were reported to have diversified crops in 2025.</p>	<h3>1%</h3> <p>pay gap between permanent BAT male and female employees maintained since 2021.</p>

**Note:**  
1. AWS certification refers to independent certification against the Alliance for Water Stewardship (AWS) Standard 2.0.

# Message from our Chief Sustainability Officer



## Sustained Transformation

**Jonathan Upward**  
Chief Sustainability Officer

**Dear stakeholders,**

**As BAT’s Chief Sustainability Officer, I am pleased to present the sustainability section of our 2025 Combined Annual and Sustainability Report.**

Over the past 26 years at BAT, I have developed a deep understanding of our business, its legacy, its complexities, and the transformation we’re undertaking.

My background in operations has shaped a pragmatic, delivery-focused approach, which I believe is critical for translating strategy into measurable and meaningful impact.

We continue to embed sustainability across the business as a strategic lever, driving performance, enhancing resilience, and enabling long-term growth.

To achieve this, we have a sustainability strategy anchored in four interconnected impact areas beyond Tobacco Harm Reduction (THR): Climate, Nature, Circularity, and Communities.

By concentrating on our impact areas, our strategy is designed to mitigate risks, strengthen resilience across our supply chain, and seek to bring positive value where we operate.

Having worked across operations in diverse geographies, I have seen first-hand that having the right sustainability strategy is only the starting point. The real challenge lies in implementing it effectively, consistently, and in a way that makes commercial sense.

We continue to deepen our understanding of our value chain, embedding carbon considerations into decision-making, shaping our approach to protecting nature, and supporting our farming households through investments in education and livelihoods.

I am focused on harnessing key enablers to deliver across our impact areas:

- Technology that drives faster, better-informed decisions;
- Policy capabilities to anticipate and respond to evolving regulatory requirements on a wide range of sustainability topics, including supply chain due diligence, circularity and reporting; and
- Stakeholder engagement that fosters collaboration with suppliers, peers, and thought leaders to achieve better outcomes.



**As the external sustainability landscape evolves, our operating model, data, and digital capabilities will enable us to navigate and adapt with confidence.**”

# Message from our Chief Sustainability Officer Continued

This section of the report is more than a strategy update. It explains why we are confident this is the right path for our business.

Its theme, **Shifting Perspectives, Through Sustained Transformation** reflects where we stand today, at a pivotal moment of change. We are moving from a legacy of combustibles to a Smokeless World, a transformation that demands bold thinking and a forward-looking approach. That same shift drives our approach to sustainability, which is grounded in data. This will help us drive decision-making, strengthen our ability to anticipate regulatory changes and foster business resilience.

Looking back at the last few years, we have made meaningful progress across all of our impact areas: reducing emissions throughout our value chain and leading in water stewardship, advancing regenerative agriculture practices, embedding eco-design principles in our Smokeless products and working with our suppliers to manage exposure to risks in our supply chain relating to labour standards and practices.

These successes have been achieved through the dedication and expertise of our teams.

I am proud of what we have accomplished together and energised for what lies ahead. Our journey is about 'doing the right thing right', for us, our stakeholders, and the environment.

As our 2025 targets reach maturity, we are setting our sights on the future with new 2030 targets, informed by our Double Materiality Assessment (DMA)<sup>^</sup> and aligned with our sustainability strategy.

Under each impact area of the strategy, four clear targets guide our efforts through 2030 and beyond, reinforcing our commitment to responsible growth and long-term value creation.

These will enable us to proactively manage broad impacts, regulatory shifts, and evolving stakeholder expectations.

Our commitment to a sustainability is reflected in our oversight of the Sustainable Future pillar of the Group's strategic navigator, supported by strong cross-functional engagement. Across our global business, people are eager to contribute to sustainability and drive positive impact.

In progressing A Better Tomorrow™, we are embedding sustainability considerations into our strategic decision-making and operations: restoring and regenerating ecosystems and maintaining the trusted relationships we have built with local communities. At the same time, we remain committed to playing a leading role in THR, supporting a Smokeless future.

By doing so, we not only aim to mitigate sustainability-related risks but also to create long-term value for our stakeholders and consumers. This philosophy underpins A Better Tomorrow™, strengthening our capacity to adapt, compete and grow in a rapidly changing environment.

On the following page, and in the **What's Next?** sections of the Annual Report 2025, you will find more details about our new targets and priorities.

We invite all stakeholders to engage with the report, ask questions and provide suggestions.

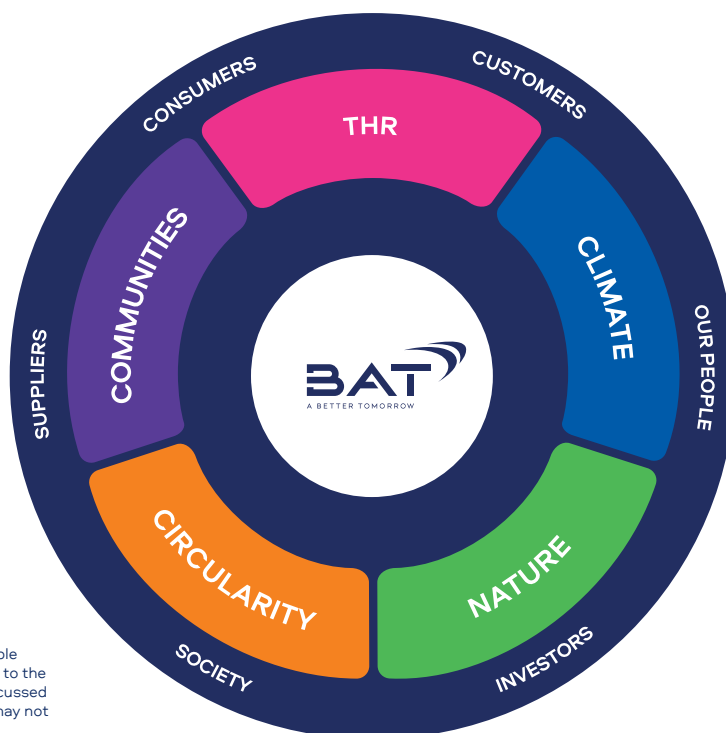
**Jonathan Upward**  
Chief Sustainability Officer

[➤](#) Read more about our sustainability ratings performance in our 'Sustainability Performance Data Book' at [bat.com/reporting](https://bat.com/reporting)

## Our sustainability strategy

In addition to THR, our sustainability strategy is anchored in four interconnected impact areas:

-  CLIMATE
-  NATURE
-  CIRCULARITY
-  COMMUNITIES



**Note:**  
<sup>^</sup> 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 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.

# Our new 2030 sustainability targets

This page presents our updated and new targets and ambitions for 2030. Their performance will be reported in our FY26 Combined Annual and Sustainability Report. The complete set of targets – along with details on updates, retirements, and resets – is available in our 2025 Sustainability Performance Data Book.

## CLIMATE

Remaining committed to our science-based emission reduction targets, while acknowledging our dependency on local grid decarbonisation.

## NATURE

Supporting BAT’s long-term resilience through targets for protecting and restoring the natural resources that we rely on.

## CIRCULARITY

Broadening the scope of circularity targets, in line with BAT’s overall transformation strategy.

## COMMUNITIES

Strengthening social and supply chain resilience through new targets for farming, supplier and employee communities.

**60%**  
absolute reduction  
in Scope 1 and 2  
GHG emissions  
(versus 2020 baseline)<sup>1</sup>

UPDATED TARGET

**WATER  
POSITIVE**  
in our own  
operations<sup>2</sup>

NEW TARGET

**50,000t**  
reduction in total  
product material use<sup>4</sup>

NEW TARGET

**90%**  
of farming households  
engaged in livelihood  
programmes in priority  
geographies

NEW TARGET

**30.3%**  
reduction in Scope 3  
(Forest, Land and  
Agriculture) FLAG  
emissions (versus 2020  
baseline)<sup>1</sup>

UNCHANGED TARGET

**100%**  
of prioritised water-  
stressed agricultural  
basins with water  
stewardship  
programmes

NEW TARGET

**100%**  
of New Category  
products and  
packaging launched  
with eco-design  
principles<sup>5</sup>

NEW TARGET

**ZERO**  
tolerance for child  
and forced labour  
in our supply chain<sup>8</sup>

UPDATED AMBITION

**42%**  
reduction in Scope 3  
industrial (non-FLAG)  
emissions (versus 2020  
baseline)<sup>1</sup>

UNCHANGED TARGET

**DEFORESTATION  
FREE**  
across our primary  
deforestation-linked  
commodities<sup>3</sup>

UPDATED TARGET

**100%**  
Vapour devices  
to have removable  
batteries<sup>6</sup>

NEW TARGET

**100%**  
of prioritised non-  
tobacco suppliers  
engaged in our  
enhanced Human  
Rights Due Diligence  
Framework

NEW TARGET

**>50%**  
of energy used in own  
operations to be from  
low-carbon sources

UPDATED TARGET

**65%**  
of directly-contracted  
arable land adopting  
regenerative  
agriculture practices

NEW TARGET

**100%**  
of markets investing  
in consumer education  
programmes for the  
responsible disposal  
of our New Category  
products<sup>7</sup>

NEW TARGET

**>85**  
Employee  
Engagement Index<sup>9</sup>

NEW TARGET

**Notes:** 1. Compared to a 2020 baseline. Our near-term 2030 science-based targets comprise a 50% reduction in Scope 1 and 2 GHG emissions. We have set an updated corporate target of 60% reduction in Scope 1 and 2 GHG emissions, reflecting our ambition to go beyond our current Science-Based Target. The Scope 3 industrial (non-FLAG) GHG emissions target includes purchased goods and services, upstream transportation and distribution, use of sold products, and end-of-life treatment of sold products. The Scope 3 FLAG GHG emissions target includes FLAG emissions and removals. Combined, these targets comprised 77% of Scope 3 emissions in 2020. Due to the complexity of consolidating Scope 3 data from our suppliers and value chain, we report Scope 3 data one year behind other metrics. Refer to the BAT 'Reporting Criteria' for our full methodology: bat.com/reporting. 2. Water Positive means BAT would return more water to the environment through restoration, replenishment and regeneration projects than it withdraws for its own operations. 3. In-scope commodities (currently pulp and paper, tobacco, curing wood) are assessed for deforestation. 4. Excludes materials where regulatory restrictions prevent reduction. 5. Excludes single-use Vapour products. Eco-design principles guide the design and development of products with lower environmental impact, emphasising the use of renewable or recyclable materials, reducing CO<sub>2</sub> emissions, and enhancing recyclability, durability, longevity and reusability. 6. Excludes markets where regulatory constraints prevent battery removability. 7. Excludes markets where regulatory constraints prevent implementation. 8. Due to the complex and systemic nature of child and forced labour, this represents an ongoing ambition rather than a time-bound target. 9. Employee Engagement Index focuses on employees' connection to their organisation, marked by committed effort to achieve goals (being engaged) in environments that support productivity (being enabled) and maintained personal wellbeing (feeling energised).

# Shareholder Information

## Shareholder Information

### Managing your shareholding Ordinary shareholder enquiries

#### United Kingdom Registrar

Computershare Investor Services PLC (Computershare)  
The Pavilions, Bridgwater Road, Bristol BS99 6ZZ  
tel: 0800 408 0094 (UK only) or +44 370 889 3159 (Overseas)  
online: [www.investorcentre.co.uk/contactus](http://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](mailto:web.queries@computershare.co.za)

### American Depositary Shares (ADS) 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](mailto:citibank@shareholders-online.com)  
website: [www.citi.com/dr](http://www.citi.com/dr)

### Manage your shareholding online

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.investorcentre.co.uk/contactus](http://www.investorcentre.co.uk/contactus)

Shareholders with any queries regarding their holding should contact Computershare using the above contact details or at [www.computershare.com/uk/investor/bri](http://www.computershare.com/uk/investor/bri)

### 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](http://www.computershare.com/dealing/uk). Please note that this service is only available in certain countries.

### Dividends

#### Dividend Reinvestment Plan (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

Historical UK capital gains tax information is available at [bat.com/cgt](http://bat.com/cgt). Alternatively, contact the British American Tobacco Company Secretarial Department on +44 20 7845 1000.

#### 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 African 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.

#### Dividend key dates

In compliance with the requirements of the LSE, Strate (the electronic settlement and custody system used by the JSE) and the NYSE, the following are the salient dates for the quarterly dividend payments. All dates are 2026 unless otherwise stated.

Event	Payment No. 1	Payment No. 2	Payment No. 3	Payment No. 4
Preliminary announcement (includes declaration data required for LSE and JSE purposes)		12 February		
Publication of finalisation information (JSE)	17 March	30 June	21 September	14 December
No removal requests permitted (in either direction) between the UK main register and the South Africa branch register	17 March– 27 March	30 June– 10 July	21 September– 2 October	14 December– 29 December
Last Day to Trade (LDT) cum-dividend (JSE)	24 March	07 July	29 September	23 December
Shares commence trading ex-dividend (JSE)	25 March	08 July	30 September	24 December
No transfers permitted between the UK main register and the South Africa branch register	25 March– 27 March	8 July– 10 July	30 September– 2 October	24 December– 30 December
No shares may be dematerialised or rematerialised on the South Africa branch register	25 March– 27 March	8 July– 10 July	30 September– 2 October	24 December– 30 December
Shares commence trading ex-dividend (LSE)	26 March	9 July	1 October	24 December
Shares commence trading ex-dividend (NYSE)	27 March	10 July	2 October	29 December
Record date (JSE, LSE and NYSE)	27 March	10 July	2 October	29 December
Last date for receipt of Dividend Reinvestment Plan (DRIP) elections (LSE)	15 April	24 July	16 October	13 January 2027
Payment date (LSE and JSE)	7 May	14 August	6 November	3 February 2027
ADS payment date (NYSE)	12 May	19 August	12 November	8 February 2027

### Cautionary Statement

This publication contains certain forward-looking statements. These statements are often, but not always, made through the use of words or phrases such as "believe," "may," "will," "expect," "aim to," "being committed," "being confident" and similar expressions.

These include statements regarding our intentions, beliefs or current expectations concerning, amongst other things, our strategies and the 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 advancing the product vigilance process in the future.

All such forward-looking statements involve estimates and assumptions (based on knowledge and information available at the date of preparation of this report only, for which we undertake no obligation to update or revise) that are subject to risks, uncertainties and other factors. It is believed that the expectations reflected in this publication 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 principal risks the Group is facing, as discussed in BAT's Combined Annual and Sustainability Report 2025. Please see the Cautionary Statement on page 398 of BAT's Combined Annual and Sustainability Report 2025, [www.bat.com/reporting](http://www.bat.com/reporting), which may be obtained free of charge at BAT's website, [www.bat.com](http://www.bat.com). The 2025 Annual Report and current reports on Form 6-K, which may include other factors, are filed with the U.S. Securities and Exchange Commission ("SEC"). 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 heading "Group Risk Factors" in the 2025 Annual Report on Form 20-F of BAT, which may be obtained free of charge at the SEC's website, [www.sec.gov](http://www.sec.gov) and the British American Tobacco website, [www.bat.com](http://www.bat.com).

References in this publication to 'British American Tobacco', 'BAT', 'we', 'us', and 'our' when denoting opinion refer to British American Tobacco p.l.c. (the Company) (No. 3407696) and when denoting tobacco business activity refer to British American Tobacco Group operating companies, collectively or individually as the case may be.

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### Registered office

Globe House, 4 Temple Place, London WC2R 2PG  
tel: +44 20 7845 1000, facsimile: +44 20 7240 0555  
Incorporated in England and Wales No. 3407696

### Representative Office in South Africa

Waterway House South, No 3 Dock Road, V&A Waterfront,  
Cape Town 8000, South Africa  
PO Box 631, Cape Town 8000, South Africa  
tel: +27 21 003 6500

### Secretary

Caroline Ferland

### Investor relations

Enquiries should be directed to [irteam@bat.com](mailto:irteam@bat.com)  
tel: +44 20 7845 2012

### Press office

Enquiries should be directed to the BAT Media Centre  
tel: +44 20 7845 2888  
email: [media\\_centre@bat.com](mailto:media_centre@bat.com)

### Auditors

KPMG LLP  
15 Canada Square, Canary Wharf, London E14 5GL

### Ordinary Shareholder Enquiries

#### United Kingdom Registrar

Computershare Investor Services PLC (Computershare)

#### The Pavilions, Bridgwater Road, Bristol BS99 6ZZ

tel: 0800 408 0094 (UK only) or +44 370 889 3159 (Overseas)  
online: [www.investorcentre.co.uk/contactus](http://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](mailto: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](mailto:citibank@shareholders-online.com)  
website: [www.citi.com/dr](http://www.citi.com/dr)





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