A Better Tomorrow™

building the enterprise of the future

2021 Annual Report & Financial Statements

BAT
KENYA

A BETTER TOMORROW™

Our Purpose

To reduce the health impact of our business by offering a greater choice of viable and less risky* products.

We are clear that combustible cigarettes pose serious health risks. The only way to avoid these risks is to not start, or quit smoking. However, we encourage those who would otherwise continue to smoke, to switch completely to scientifically substantiated, reduced-risk alternatives.*

In order to deliver this, BAT is transforming into a truly consumer centric multi-category consumer products business.

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

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ENERGISED
STRONGER
AGILE
BAT

Preamble

BRITISH AMERICAN TOBACCO KENYA PLC
2021 ANNUAL REPORT AND FINANCIAL STATEMENTS

This is the Annual Report and Financial Statements (Annual Report) of British American Tobacco Kenya plc (BAT Kenya), comprising the Strategic Report, the Governance Report and the Audited Financial Statements for the year ended 31 December 2021.

This Annual Report has been drawn up and is presented in accordance with, and reliance upon, applicable Kenyan company law and the Companies Act, 2015. The liabilities of the Directors in connection with this Report shall be subject to the limitations and restrictions provided by such law.

A soft copy of the Annual Report is emailed to shareholders on the mail register who have elected to receive it and have indicated their email addresses at any previous time. A digital copy can also be accessed on our website www.batkenya.com.

References in this publication to 'the Company', 'BAT Kenya', 'the Business' 'we', 'us' and 'our', refer to British American Tobacco Kenya plc.

Cautionary Statement

The material in this Annual Report is provided for the purpose of giving information about BAT Kenya to shareholders and is not provided for tobacco or nicotine product advertising, promotional or marketing purposes. This material does not constitute and should not be construed as constituting an offer to sell or solicitation of an offer to buy any of our tobacco or nicotine products. Our products are sold in compliance with the laws of Kenya.

The Strategic Report and certain other sections of the Annual Report contain forward-looking statements that are subject to risk factors associated with, amongst other things, the changing economic and business dynamics affecting the Kenyan and export markets.

It is believed that the expectations reflected in these statements 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.

About Us

British American Tobacco (BAT) began operations in Kenya 1907. BAT Kenya has been listed on the Nairobi Securities Exchange since 1969 and has approximately 5,000 shareholders, of whom around 4,000 are local shareholders. The Company is in the business of tobacco farming and processing, manufacturing, sale and export of cigarettes and other tobacco and nicotine products.

We are a strong, forward-looking Company with a proven strategy that is delivering value for our shareholders. BAT Kenya's diverse strengths - our strong heritage, our unique brands, our new product innovations and our talented people – are the foundations of our continuing progress.

Through our manufacturing hub in Nairobi and Green Leaf Processing plant in Thika, we make cigarettes chosen by a majority of Kenya's adult smokers, with a variety of brands sold in the Kenyan market.

We operate a sustainable business and contribute to Kenya's socio-economic growth in various ways, including through partnerships with over 80,000 trade and business partners; approximately 2,000 tobacco farmers concentrated mainly in the counties of Bungoma, Busia, Migori, Homa Bay, Meru, Embu and Tharaka Nithi as well as providing direct and indirect employment opportunities for over 1,800 people. Our Environment, Social and Governance (ESG) agenda includes various programmes in sustainable agriculture and afforestation, through which we have recorded over 54 million trees planted since 1978.

BAT Kenya has been certified four times in a row (2018, 2019, 2020, 2021) as a Top Employer in Kenya Africa, by the global Top Employers Institute. On the diversity and inclusion front, we are a member of the Kenya Business and Disabilities Network (KBDN), an organisation that champions workplace inclusivity for Persons with Disabilities.

Read more at www.batkenya.com


ESPRIT

Notice of the 2022 Annual General Meeting

NOTICE IS HEREBY GIVEN that the 70th Annual General Meeting (AGM) of the Company will be held via electronic/virtual means on **Tuesday, 24 May 2022 at 9:00 a.m.** for the purpose of considering, and if thought fit, passing the resolutions set out below. Shareholders may ask questions in advance of the meeting in the manner detailed below.

Ordinary Business

1. To receive, consider, and if approved, adopt the Company's audited Financial Statements for the year ended 31 December 2021, together with the reports of the Chairperson, Directors and Auditor thereon.
2. To confirm the interim dividend of KSh. 3.50 per ordinary share paid on 16 September 2021, and approve a final dividend of KSh. 50/- per ordinary share, to be paid net of Withholding Tax on or about 24 May 2022, to shareholders on the Register at the close of business on 22 April 2022.
3. To re-elect Directors:

   Samuel Onyango, Dr. Macharia Irungu and Marion Gathoga-Mwangi retire by rotation in accordance with Article 102 of the Articles of Association and being eligible, offer themselves for re-election as Directors.
4. In accordance with the provisions of Section 769 of the Companies Act 2015, Dr. Martin Oduor-Otieno, Samuel Onyango, Carol Musyoka and Marion Gathoga-Mwangi, being members of the Board Audit & Risk Committee, be elected to continue to serve as members of the said Committee.
5. To approve the remuneration of Directors and the Directors Remuneration report for the year ended 31 December 2021.
6. To appoint Messrs KPMG Kenya as External Auditor of the Company by virtue of Section 721(2) of the Companies Act, 2015 and to authorise the Directors to fix their remuneration for the year ending 31 December 2022.
7. To consider any other business of which due notice has been given.

By Order of the Board

Kathryne Maundu

Company Secretary

1 May 2022

NOTES:

1. The Company has convened and is conducting this virtual Annual General Meeting in line with Article 62 (b) of the Articles of Association.
2. Any Shareholder wishing to attend the AGM should register by dialling ***483*393#** on their mobile telephone and follow the various prompts regarding registration. A shareholder/proxy will require to have the ID/Passport number which was used to purchase the shares and/or the CDSC Account number. For assistance, shareholders should call the following helpline number between **9:00 a.m. to 5:00 p.m.** Monday to Friday: (+254) 709 170 000/(+254) 709 170 030.
3. Registration for the AGM opens on **1 May 2022** and will close on **20 May 2022** at 5:00 p.m. Shareholders will not be able to register after this time.
4. In accordance with Article 174 of the Company's Articles of Association, the following documents may be viewed on the Company's website www.batkenya.com (i) a copy of this Notice and the proxy form; and (ii) the Company's audited Financial Statements for the year ended 31 December 2021.
5. Any shareholder who is eligible to attend and vote at the AGM is entitled to appoint a proxy to attend and vote on their behalf. Such proxy need not be a member of the Company.

6. A proxy form is provided with the Annual Report. The proxy form can also be obtained from the Company's website, www.batkenya.com, or from Image Registrars Limited, ABSA Towers (formerly Barclays Plaza), 5th Floor, Loita Street, P.O. Box 9287 – 00100, Nairobi, Kenya.

   Shareholders who do not propose to be at the AGM are requested to complete and return the proxy form to Image Registrars Limited via the address above, or by email to: info@image.co.ke or BATshares@image.co.ke . Alternatively, deliver to the Registered Office of the Company, to arrive not later than 9:00 a.m. on 20 May 2022.

7. A proxy form must be signed by the appointor or their attorney, duly authorised in writing. If the appointer is a body corporate, the instrument appointing the proxy shall be given under the Company's common seal or, under the hand of an officer or duly authorised attorney of such body corporate.

8. All questions and/or clarifications must reach the Company on or before 20 May 2022 at 5:00 p.m. Shareholders wishing to raise questions may do so by:

   i. Sending their written questions by email to BATshares@image.co.ke;

   ii. Physically delivering or posting their written questions which include a return address (physical, postal or email), to the registered office of the Company or P.O. Box 30000 – 00100, Nairobi, or to Image Registrars offices at the address above.

   Shareholders must provide their full details (names, ID/Passport Number, CDSC Account Number) when submitting their questions and or clarifications.

   The Company's Directors will provide written responses to the questions received via the return address (physical, postal or email) provided by the Shareholder, no later than 12 hours before the start of the AGM. A full list of all questions received and the answers thereto, will be published on the Company's website not later than 12 hours before the start of the AGM.

9. The AGM will be streamed live via a link which shall be provided to all shareholders who will have successfully registered to participate in the AGM. Registered shareholders and proxies will receive a short messaging service (SMS/USSD) prompt on their registered mobile numbers 24 hours prior to the AGM as a reminder.

   A second SMS/USSD prompt shall be sent one hour prior to the AGM, as a reminder that the AGM will begin in an hour and provide a link to the live stream. In registering to attend the AGM, a shareholder opts in to receive these messages.

10. Duly registered shareholders and proxies may access the agenda and follow the proceedings of the AGM using the live stream platform. Duly registered shareholders and proxies may vote (when prompted by the Chairperson) via the USSD prompts as well as via the VOTE tab on the live stream link.

11. A poll shall be conducted for all the resolutions put forward in the notice.

12. Results of the polling exercise shall be published on the Company's website, www.batkenya.com, within 24 hours of concluding the AGM.

13. The preferred method of paying dividends which are below KSh 150,000/- is through M-PESA. Shareholders who wish to receive their dividend through M-PESA and who have not registered for this mode of payment, can opt to receive future dividends via M-PESA when registering for the AGM via the USSD or contact Image Registrars (Tel: +254 20 2230330/ +254 20 2212065/ +254 20 2246449; Mobile: +254 724 699667/ +254 735565666/ +254 770 052116, Email: info@image.co.ke).

14. Shareholders are encouraged to continuously monitor the Company's website, www.batkenya.com, for updates relating to the AGM.

Explanatory | Notes to Resolutions

Agenda Item 1: Report and Financial Statements 2021

Resolution 1:

THAT the Report of the Directors and the Financial Statements for the year ended 31 December 2021, as audited and reported by the Company's Auditors now submitted to this meeting, be and are hereby approved and adopted.

The Report and Accounts are for the year ended 31 December 2021.

Agenda Item 2: Declaration of final dividend

Resolution 2:

THAT the interim dividend of KSh. 3.50 per ordinary share paid on 16 September 2021, be and is hereby confirmed and that a final dividend of KSh. 50/- per ordinary share net of Withholding Tax, to be paid on or about 24 May 2022 to shareholders on the Register at the close of business on 22 April 2022, be and is hereby approved.

The Company paid an interim dividend of KSh. 3.50 per Ordinary Share on 16 September 2021. The Board recommends a final dividend of KSh. 50/- per Ordinary Share, bringing the total dividend for the year to KSh. 53.50 per Ordinary Share. Subject to approval by shareholders, the final dividend will be paid on or about 24 May 2022 to shareholders on the register on 22 April 2022.

Agenda Item 3: Directors seeking re-election pursuant to Article 102

Resolution 3:

THAT Samuel Onyango, Dr. Macharia Irungu and Marion Gathoga-Mwangi be and are hereby re-elected Directors of the Company.

In relation to the re-election of the above-named Directors, the Nominations & Governance Committee and the Board have determined that they continue to perform effectively and demonstrate commitment to their role, and that they are all respectable individuals in their respective fields and backgrounds.

Their balance of knowledge and skills combined with their diversity and business experience, makes a major contribution to the proper functioning of the Board and its Committees. Biographical details of the Directors seeking re-election are set out on page 66 of this Annual Report.

Copies of the Directors' letters of appointment are available for inspection during normal business hours at the Company's registered office on any business day.

Agenda Item 4: Re-election of Audit & Risk Committee members

Resolution 4:

THAT Dr. Martin Oduor-Otieno, Samuel Onyango, Carol Musyoka and Marion Gathoga-Mwangi be and are hereby elected to continue to serve as Members of the Board Audit & Risk Committee.

In accordance with the provisions of Section 769 of the Companies Act 2015, the Directors listed in Agenda Item 3(c) offer themselves for election to continue to serve as members of the Board Audit & Risk Committee.

Agenda Item 5: Directors remuneration

Resolution 5:

Resolution 5 is an advisory vote to approve the Directors' remuneration as prescribed by the Capital Markets Authority, Code of Corporate Governance Practices for Issuers of Securities to the Public, 2015.

The Remuneration Report is set out on pages 94-97 of this Annual Report.

Agenda Item 6: Re-Appointment of Auditors and Auditor's remuneration

Resolution 6:

THAT in accordance with Section 721 (2) of the Companies Act, KPMG Kenya be re-appointed to continue in office as the External Auditor of the Company and that the Directors be and are hereby authorised to fix their remuneration.

With KPMG having expressed their willingness to continue in office as the Company's External Auditor in accordance with the provisions of Section 721 (2), it is proposed that Messrs KPMG Kenya be re-appointed as the External Auditor of the Company and that the Directors be authorised to fix their remuneration for the year ending 31 December 2022.

Corporate Information

Board of Directors

Rita Kavashe*	(Chairperson)
Crispin Achola	(Managing Director)
Philemon Kipkemoi	(Finance Director)
André Joubert**	(Alternate Director: Sidney Wafula)
Dr. Macharia Irungu*	
Carol Musyoka**	
Peter Mwangi*	
Dr. Martin Oduor-Otieno*	
Samuel Onyango*	
Marion Gathoga-Mwangi*	
Kathryne Maundu	(Company Secretary)

Audit & Risk Committee

Dr. Martin Oduor-Otieno*	(Chairperson)
Carol Musyoka**	
Samuel Onyango*	
Marion Gathoga – Mwangi*	
Kathryne Maundu	(Committee Secretary)

Nominations & Governance Committee

Rita Kavashe*	(Chairperson)
Peter Mwangi*	
Dr. Macharia Irungu*	
Kathryne Maundu	(Committee Secretary)

Remuneration Committee

Peter Mwangi*	(Chairperson)
Carol Musyoka**	
Crispin Achola	
Philemon Kipkemoi	
Lucy Evara	(Committee Secretary)

*Independent Non-Executive Directors
**Non-Executive Directors

Auditor
KPMG Kenya
Certified Public Accountants of Kenya
ABC Towers, 8th Floor, Waiyaki Way
P.O. Box 40612-00100, Nairobi

Governance Auditor
Dorion & Associates
Green Shade Apartments, C1
Argwings Kodhek Road
P.O. Box 29737 - 00202, Nairobi

Board Evaluator
Prof. Kiarie Mwaura
P.O. Box 6766-00100, Thika

Principal Advocates
Hamilton Harrison & Mathews
Wing A, 1st floor
Delta Office Suites, Waiyaki Way
P.O Box 30333-00100, Nairobi

Kaplan & Stratton
Williamson House
4th Ngong Avenue
P.O. Box 40111-00100, Nairobi

Iseme Kamau & Maema
IKM Place, Tower A, 1st Floor
5th Ngong Avenue, Off Bishops Road, Nairobi

Principal Bankers
Absa Bank Kenya plc
Citibank NA
NCBA Bank Kenya plc
Standard Chartered Bank Kenya plc

Shares Registrar
Image Registrars Limited
5th Floor, ABSA Towers (formerly Barclays Plaza)
Loita Street
P.O Box 9287-00100, Nairobi

Company Secretary
Kathryne Maundu
C/o Stamford Corporate Services LLP
5th Floor West Wing, ICEA Lion Centre
Riverside Park, Chiromo Road
P.O. Box 10643-00100, Nairobi

Registered Office
British American Tobacco Kenya plc
8 Likoni Road, Industrial Area
P.O Box 30000-00100, GPO, Nairobi

Building A Better Tomorrow™ for our stakeholders: consumers, society, employees and shareholders

Our Purpose

"... we have a workplace that can attract and retain the best **talent,** ensuring that we are well placed to **deliver** for all stakeholders."

Chairperson's Statement

On behalf of the Board, Management and Employees, it is a great honour for me to present the Annual Report for the year ended 31 December 2021.

During this period, the Company maintained the positive momentum achieved in the previous year to deliver robust performance and progress in implementing our strategy. This was despite the persisting challenges in our operating environment, punctuated mainly by the prolonged economic impacts of the COVID-19 pandemic and an unpredictable operating environment.

We have maintained our dividend commitment despite the challenging environment, with the Board of Directors recommending a final dividend of KSh 50 per share for 2021, payable net of Withholding Tax on 24 May 2022 to shareholders on the register as at the close of business on 22 April 2022. The total dividend for 2021 will be KSh 53.50 per share (compared to KSh 45 per share in the previous year).

Business operating environment

The Kenyan economy continues to demonstrate considerable resilience, driven by a rebound in the services sector following the easing of COVID-19 restrictions. Growth in real gross domestic product averaged 7.8% over the first three quarters of 2021 compared to the previous year's period, which saw an average contraction of -0.8%, according to data from the Central Bank of Kenya.

The World Bank forecasts a positive economic outlook for the 2022-23 period, with growth expected to remain stable at an average of 4.9%, matching the pre-pandemic growth rate trajectory between 2010 and 2019. Still, the pandemic-related risks remain significant and will be based on how the health situation unfolds, especially underscored by the mutation of the COVID-19 virus. The World Bank has also indicated that the current drought conditions affecting parts of the country remain a critical domestic risk factor and could impact the near-term economic outlook.

In addition to the impacts of the COVID-19 pandemic, the tobacco category continues to grapple with a significantly high levels of illicit trade as well as an unpredictable and disproportionate fiscal regime. On the back of such a mixed bag of uncertainty, it is important that the country makes more effort to improve the ease of doing business in Kenya. We urge the government not to sacrifice long term sustainability for short term gains, especially in the face of an economy struggling to pick up from the unprecedented ravages of the COVID-19 pandemic.

Continuing to deliver a step change to transform our business through a clear purpose

Our business continues to transform during this period of unprecedented change. Our Purpose to build A Better Tomorrow™ by reducing the health impact of our business has remained our North Star. It continues to guide our strategic choices and the execution of our strategy. Delivering A Better Tomorrow™ through consumer-led insights, innovation and science are central to this purpose. BAT's consumer-centric, multi-category approach has led to the development of a wide - range of alternative and less risky* products.

Good governance at the heart of a sustainable business

Increasingly, business is moving beyond seeking to deliver shareholder value, and is embracing a wider purpose that serves the interests of all stakeholders. The expectations of broader society are that business should play a more active role in addressing and finding solutions to crucial social, economic and environmental issues.

We at BAT welcome this shift. It is aligned to our Company's purpose, our sustainability agenda and the strategic approach that the Board encourages. Our commitment to delivering for the whole of society is evidenced by our robust Environment, Social and Governance (ESG) agenda illustrated on page 28.

I am pleased to report that we have made steady progress against our sustainability ambitions, some of which have been achieved over many decades. This includes over 54 million surviving trees, planted with various stakeholders since 1978 and an annual target to plant at least 2 million trees.

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

We have also made significant strides in energy management, reducing energy consumption in our manufacturing operations by 7,025GJ and CO_2 emissions by 965T in 2021. Our track record in energy management has seen us receive external recognition, including several accolades at the 2021 KAM Energy Management Awards, Financial Reporting (FIRE) awards and the 2021 CIO Awards.

Enhancing organisational culture and capabilities - a strong employer value proposition

The Board is pleased with the progress we are making in terms of Talent and culture. We have continued to embed our Ethos and improve capabilities in various facets of our business. We are extremely proud of our people, who have continued to demonstrate resilience and effectiveness in very trying conditions. Their commitment to our transformation has brought tangible improvements across our business.

We believe that we have a workplace that can attract and retain the best talent, ensuring that we are well placed to deliver for all stakeholders, now and into the future. In 2021, BAT Kenya was certified by the global Top Employers Institute for the fourth time in a row, as a Top Employer in Kenya and Africa, being rated as the second-best employer in Kenya. This is an important distinction for us, which speaks to our commitment to being an attractive employer that provides pathways to a fulfilling career, supportive work environment and rewarding career progression opportunities for our people in Kenya and the wider BAT organisation.

Confidence in our future

As we further enhance business resilience in 2022, our key focus remains on ensuring the safety and well-being of our People as the COVID-19 pandemic evolves. We are accelerating our business transformation and building A Better Tomorrow™ and as such, BAT will continue to innovate and expand our product portfolio to offer adult smokers greater choice to meet their evolving needs. We will continue to invest in scientific research to better understand the preferences of our consumers and to reduce the risks associated with our products. This will accelerate the transformation of our business and deliver on our purpose - building A Better Tomorrow™ by reducing the health impact of our business.

Finally, I take this opportunity to express my sincere appreciation and gratitude to the Board of Directors, Leadership Team, employees, strategic partners, shareholders, and all other stakeholders for their invaluable contribution to our resilient performance in 2021.

Rita Kavashe
Board Chairperson

Taarifa ya Mwenyekiti

Kwa niaba ya Bodi, usimamizi na wafanyakazi, ni heshima kubwa kwangu kuwasilisha ripoti ya mwaka uliokamilika mnamo tarehe 31 Disemba, 2021. Katika muda huu, kampuni iliweza kuendeleza matokeo mazuri yaliyopatikana mwaka uliopita na kuweza kutoa utendakazi mwema na maendeleo katika kutekeleza mikakati yetu. Tumeyapata mafanikio haya licha ya changamoto katika mazingira yetu ya kikazi yaliyotokana na athari katika uchumi zilizosababishwa na janga la Korona na mazingira ya kikazi yasiyotabirika.

Tumedumisha gawio kwa wanahisa wetu licha ya mazingira ya changamoto, huku Bodi ya wakurugenzi ikipendekeza gawio la mwisho la shilingi 50 kwa kila hisa ya mwaka wa 2021, litakalolipwa baada ya ushuru wa Zuio, tarehe 24 Mei mwaka wa 2022 kwa wanahisa kwenye sajili kufikia mwisho wa saa za kazi, tarehe 22 Aprili 2022. Jumla ya gawio kwa mwaka wa 2021 itakuwa shilingi 53.50 kwa kila hisa (ikilinganishwa na shilingi 45 kwa kila hisa katika mwaka uliotangulia).

Mazingira ya utendakazi katika biashara

Uchumi wa Kenya umeanza kuimarika tangu vikwazo vilivyowekwa kutokana na ugonjwa wa Korona kuondolewa, hasa kutokana kwa kurejelewa kwa sekta za huduma. Pato halisi la taifa lilikuwa kwa takriban asilimia 7.8% katika robo tatu ya mwaka wa 2021 ukilinganisha na mwaka uliotangulia ambapo pato hili lilipungua kwa asilimia -0.8%, kulingana na data ya Benki Kuu ya Kenya.

Benki ya Dunia imetabiri kwamba uchumi utaweza kuimarika zaidi katika kipindi cha mwaka wa 2022 na 2023. Katika kipindi hiki, uchumi utastawi kwa asilimia 4.9%, sawa na kukua kwake kabla ya janga baina ya mwaka wa 2010 hadi 2019. Hata hivyo, athari za janga hili bado zipo na hali hii italingana na hali ya afya itakavyokuwa hasa kutokana na mabadiliko ya virusi tofauti tofauti vinavyosababisha gonjwa la Korona.

Benki ya Dunia pia inaonesha kuwa ukame katika maeneo kadha nchini una athari kubwa katika uchumi wa nchi kwa siku za hivi karibuni.

Kando na janga la Korona, biashara ya tumbaku inakumbwa na tatizo la biashara haramu ya sigara, pamoja na hali ya kifedha isiyotabirika na isiyo na usawa. Kutokana na matatizo haya chungu nzima, ni muhimu kwa nchi ya Kenya kuwajibika na kuleta mazingira bora ya kufanya biashara na kwa urahisi. Tunaomba serikali isipuuze mbinu za muda mrefu za kuimarisha uchumi kwa kufuatilia mapato ya muda mfupi, hasa wakati huu ambapo uchumi unaanza kuimarika baada ya athari katika uchumi zilizosabababishwa na janga la Korona.

Kuendelea kuleta mabadiliko ya kihatua kubadilisha biashara yetu kupitia malengo maalum

Biashara yetu imeendelea kubadilika katika kipindi hiki cha mabadiliko ambayo hayakutarajiwa. Lengo letu ni Kujenga Kesho Bora kwa kupunguza athari za kiafya zinazotokana na biashara yetu, imebaki kuwa lengo letu kuu. Ndio mwongozo wa mikakati yetu na utekelezaji wa mikakati hiyo. Kuleta Kesho Bora kupitia kusikiliza maoni ya wateja wetu, ubunifu wetu na kutumia sayansi ni miongozo ya kutimiza lengo hili. Mbinu ya BAT ya kumuweka mteja mbele na chaguo la viwango mbalimbali, hutusaidia kuwapa wateja bidhaa mbalimbali zenye hatari ya chini.

Uongozi bora katika kuimarisha ustawi wa biashara

Kwa muda sasa, biashara zinabadilika kutoka kwa kunufaisha thamani ya wanahisa pekee na kuelekea lengo kuu zaidi la kunufaisha maslahi ya washikadau wote. Matarajio ya jamii pana ni kuwa biashara inapaswa kutekeleza wajibu mkuu katika kushughulikia na kutafuta suluhu katika masuala ya kijamii, kiuchumi na kimazingira.

Sisi tukiwa katika BAT tumeyakubali mabadiliko haya. Hii ni kwa kuwa mabadiliko haya yanaoana na malengo ya kampuni yetu, ajenda ya ustawi wetu na mbinu ya kufanya maamuzi ambazo Bodi ya kampuni yetu inahimiza. Kujitolea kwetu katika kutekeleza mahitaji ya kijamii yanathibitishwa kupitia ajenda ya mazingira thabiti, jamii na uongozi (ESG), kama inavyoelezwa kwenye ukurasa wa 28. Nina furaha kusema kuwa tumepiga hatua kuelekea matamanio yetu ya ustawi, ambayo, baadhi yamefanikiwa baada ya miongo kadhaa. Baadhi ya tuliyofaulu kufanya ni ukuzaji wa takriban miti milioni 54, pamoja na washikadau mbalimbali tangu mwaka wa 1978, na kuwa na lengo la kupanda anagalau miti milioni 2 kila mwaka. Zaidi, tumepiga hatua katika matumizi yetu ya kawi. Tuliweza kupunguza matumizi ya kawi tunayotumia kwa kiwango cha 7025 GJ na hewa ya Kaboni (CO_2) inayowachiliwa kwa kiwango cha 965 T katika mwaka wa 2021. Rekodi tuliyoweka katika matumizi yetu mazuri ya kawi, imetufanya tutambulike hata nje kwa kupata tuzo kadhaa kama vile: Tuzo ya KAM Energy Management, tuzo ya Financial Reporting (FIRE) na tuzo ya CIO 2021.

Kuimarisha uongozi na uwezo wa shirika- Pendekezo la thamani ya mwajibiri thabiti

Bodi inafurahishwa na hatua tunazopiga katika kuimarisha vipaji na utamaduni wetu katika kampuni. Tumeyapa kipaumbele maadili na kuboresha uwezo wetu katika sekta mbalimbali za biashara yetu. Tunajivunia watu wetu ambao wameonesha ukakamavu na ubora wa kiwango cha juu wakati wa changamoto nyingi. Kujitolea kwao katika kubadilika kwetu, kumesababisha kuimarika kwa biashara yetu.

Tunaamini kuwa tuna mazingira ya kikazi yanayoweza kuvutia wafanyakazi wa vipaji vya juu na kuwafanya wasiondoke, na kutuwezesha kupata matokeo bora kwa washikadau wote sasa na siku za usoni. Mwaka wa 2021, BAT Kenya iliweza kutambuliwa na Taasisi ya Waajiri Bora Duniani (Top Employers Institute) kwa mara ya nne mtawalia miongoni mwa waajiri bora nchini Kenya na Afrika, na kuwa mwajiri wa pili bora nchini Kenya. Haya ni matokeo mazuri mno kwetu na ni dhihirisho la kujitolea kuwa mwajiri wa kuvutia na kutoa njia mbalimbali za kuwapa wafanyakazi ajira ya kuridhisha, mazingira mazuri ya kikazi na ajira yenye fursa za kujiendeleza kwa wafanyakazi wa Kenya na shirika zima la BAT.

Imani katika siku za usoni

Tunapozidi kujikaza kuimarisha biashara yetu mwaka wa 2022, lengo letu kuu ni kuhakikishia usalama wa watu wetu na hali nzuri hata janga la Korona linapozidi kubadilika.Tunazidi kuharakisha mabadiliko katika biashara yetu huku tukijenga Kesho Bora kwa kubuni na kuongeza bidhaa zetu, ili kuwapa watu wazima wanao vuta sigara, chaguo bora kulingana na mahitaji yao yanayozidi kubadilika. Pia tutaendelea kuwekeza katika utafiti wa kisayansi ili kuelewa mapendeleo ya wateja wetu.

Hili litazidisha mabadiliko ya biashara yetu na kuweza kuafikia lengo letu kuu la kujenga Kesho Bora kwa kupunguza athari za kiafya zinazosababishwa na biashara yetu. Pamoja na hili, tutazidi kuendeleza ajenda ya ESG kwa kuongoza ubora katika mazingira, kuleta michango mizuri katika jamii, na uongozi thabiti wa kishirika katika biashara.

Nikitamatisha, natoa shukrani za dhati kwa Bodi ya wakurugenzi, uongozi kwa jumla, wafanyakazi, wanamikakati, wenyehisa na washikadau wote kwa michango yao mikuu kwa matokeo yetu thabiti ya mwaka wa 2021.

Rita Kavashe
Mwenyekiti wa Bodi

EVERY SPORTSMAN IS NOW A

Rothmans

TUENDELEE NA ROTHMANS

WARNING: SMOKING HARMS PEOPLE NEXT TO YOU
ILANI: UVUTAJI WA TUMBAKU UNAWADHURU WALIO KARIBU NAWE

> Now more than ever, the business community needs fiscal certainty...

Managing Director's Overview

I write this reflecting on my first year as Managing Director (MD) of BAT Kenya. It is a privilege to lead this company, with its track record of achievements, both past and present.

As we prepare this Annual Report, it is a little over a year since my appointment as MD. Since taking the helm in January 2021, I have focused the business on three clear priorities: driving value from combustibles, driving a step change in New Categories and simplifying the business - stronger, simpler, faster – underpinned by a robust sustainability and people development agenda.

The past year has been exciting and challenging for BAT Kenya. On the one hand, we celebrated milestones that have accelerated our purpose to build A Better Tomorrow™ for our stakeholders, while on the other, we have had to endure various challenges, including the uncertainty of the COVID-19 pandemic and the resulting adverse economic impacts. Despite this backdrop, our business remained resilient, and our performance is testament to that.

An unpredictable fiscal environment and sustained illicit trade

The continued proliferation of illicit trade in cigarettes was a major concern in 2021 and remains a critical area of focus for our business in 2022. Unpredictable excise increases continue to adversely impact consumer affordability, leading to a higher incidence of illicit trade at the expense of the legitimate industry and tobacco-related Government revenues. This has been further compounded by the resultant differentials in excise rates between Kenya and its neighbouring EAC partner states, with the excise payable in Kenya being double that of Uganda and almost triple that of Tanzania.

Now more than ever, the business community needs fiscal certainty – a predictable and proportionate tax regime that allows legitimate industry players to recoup lost industry and Government revenues from illicit trade.

On the back of these fiscal challenges, the illicit trade in tax-evaded cigarettes persisted during the year, remaining at an estimated 22% (source: 3rd Party Research), driven by consumers downtrading in their search for cheaper products. This translates to an estimated annual loss of over KSh 4 billion in Government revenues. Since 2016, the Government has lost an estimated KSh. 15 billion from tax evaded cigarettes.

To curb this menace, we advocate for increased controls on manufacturing processes, monitoring of export volumes and enhanced supply chain due diligence requirements.

With smuggled cigarettes from neighbouring countries being the bigger percentage of the illicit cigarettes sold in Kenya, we have particularly been advocating for improved border controls and factory audits to ascertain legitimate demand and commensurate production across neighbouring markets. Together with tougher penalties, we believe that these measures - if enforced - have the potential to significantly bring down the levels of illicit trade in tobacco products in Kenya and seal revenue leakages, while creating space for legitimate industry players to recover.

Meeting consumer needs

Today, we see new opportunities to fulfil consumer moments which continue to change. We will evolve our growth model through the development of our portfolio in tobacco, nicotine and beyond, to meet the evolving needs and preferences of our consumers. Consequently, we have evolved our strategy to put a sharper focus on delivering a step change in New Categories performance, fueled by investment from the continued delivery of our combustibles business.

As part of maximising value from our combustibles portfolio, we successfully completed the pack migration of our iconic brand Sportsman, into our global strategic value-for-money brand, Rothmans. This is part of a global drive to transform our product portfolio into fewer but stronger global brands. Our portfolio transformation process is underpinned by a unique view of the consumer across key categories, which is increasingly driven by powerful consumer data and analytics.

Our business will be further enabled by truly embracing digital transformation, rigorously managing our cost base, and enhancing our internal culture.

A purposeful organisation

At the center of our Purpose, are our People. And as our business evolves, so does our employee value proposition. Today, we are attracting a different and wider range of talent and skillsets than we did before, injecting exciting new capability into the business.

For both our long-time employees and those who have more recently joined, we are cultivating an Ethos that is responsive to change and embodies a learning culture centered around continuous improvement. The quality of our people is a major reason why we have been able to build a resilient business and navigate one of the biggest challenges of our time, the COVID-19 pandemic. On the back of our overriding priority to keep our people safe during the pandemic, I was privileged to oversee a collaborative initiative with the Ministry of Health enabled by the Kenya Private Sector Alliance (KEPSA), to facilitate COVID-19 vaccination for our employees and local communities in which we operate. This will continue in 2022 as may be needed.

In fostering inclusivity, BAT continues to respect and value difference and will continuously work to build a supportive and engaging culture, now and in the future. We think of diversity and inclusion in its broadest sense, as those attributes that make each one of us unique. We have made good progress in several D&I areas, such as women's empowerment (with women comprising over 40% of our total workforce), age, and cultural and social backgrounds, amongst others. My goal is to get the representation of women in our workforce up to 50% in the medium-term.

I am particularly proud of the gains we have made in strengthening our commitment to building a disability-inclusive workplace. Last year, we became members of the Kenya Business and Disability Network (KBDN), which speaks to our strategic goal to increase representation of Persons with Disabilities in our employee population to 5% by 2025. We believe that this collaboration will be instrumental in driving an expert approach to achieving our D&I goals and ultimately, build A Better Tomorrow™. In the same year, we also launched the Women@BAT (WIB) network in our East African markets. WIB is a self-governed global network of BAT individuals who are passionate about diversity, engaging and championing women to realise their full potential.

Our way forward together

The last two years in the COVID era were challenging for us, but we learned valuable lessons in the process. While challenges remain in our operating environment, I am confident that we are well-positioned to build a sustainable and profitable business. Going forward, my responsibility is to ensure that our business is faster, bolder and stronger in the years to come. Our total commitment to a multi-category business powered by investment from our combustibles category, will drive sustainable growth and underpin continued delivery of sustained superior returns for our shareholders.

I remain optimistic about the future prospects of our business and delighted to be leading such a talented group of individuals with whom we share one vision to drive the next wave of innovation at BAT. I am confident that we have a strategy for growth and sustainability, which will deliver A Better Tomorrow™.

Finally, I thank the Board, my Leadership team and the entire BAT Kenya community for delivering strong performance in 2021, and their continued contribution and commitment to the delivery of our Purpose.

Crispin Achola
Managing Director

Tathmini ya Mkurugenzi Mkuu

Ninaandika haya nikitafakari kuhusu mwaka wangu wa kwanza wa utendakazi kama meneja mkurugenzi wa BAT Kenya. Ni heshima kuu kuongoza kampuni hii iliyopata mafanikio makubwa miaka iliyopita na hata sasa.

Tunapotayarisha ripoti hii, ni mwaka mmoja tu tangu nichaguliwe kama meneja mkurugenzi. Tangu nichukue wadhifa huu mnamo Januari 2021, nimeongoza biashara katika mielekeo mitatu mikuu: kupata thamani kutokana na bidhaa za tumbaku zinayochomwa, kupiga hatua ya kuleta mabadiliko kwenye bidhaa mpya na kurahisisha ufanyabiashara- Kwa nguvu zaidi, kwa urahisi, kwa haraka – ikiongozwa na uthabiti unaodumu na ajenda ya maendeleo kwa watu.

Mwaka uliopita ulikuwa wa kusisimua na wenye changamoto kwa BAT Kenya. Kwa upande mmoja, tumesherehekea hatua muhimu zilizoharakisha lengo letu kuu la kujenga Kesho Bora kwa washikadau wetu. Kwa upande mwingine, tumelazimika kuvumilia changamoto kadhaa, zikiwemo mwaka mwingine wa changamoto kutokana na hali isiyotabirika iliyoletwa na janga la Korona na athari zake hasi kwa uchumi. Licha ya matatizo haya, biashara yetu ilizidi kustahimili, na matokeo yetu ni ushahidi kwa hayo.

Mazingira yasiyotabirika ya kifedha na biashara haramu isiyopungua

Kuendelea kwa biashara haramu ya sigara lilikuwa tatizo sugu mwaka wa 2021, na litaendelea kuwa jambo muhimu la kuangaziwa kwa biashara zetu katika mwaka wa 2022. Ongezeko lisilotabirika la ushuru limeendelea kuathiri uwezo wa mteja wa kununua bidhaa na kusababisha kuwepo kwa bidhaa haramu zinazoathiri biashara za bidhaa halali na kuinyima serikali ushuru unaotokana na bidhaa za tumbaku. Jambo hili pia limeongezwa ukali na utofauti wa kiwango cha ushuru katika nchi jirani za Kenya katika Jumuia ya Afrika Mashariki, kama vile, ushuru nchini Kenya ukiwa maradufu ya ule unaotozwa nchini Uganda na karibu mara tatu ya unaotozwa Tanzania.

Sasa kuliko wakati mwingine, jumuiya ya kibiashara inahitaji mikakati madhubuti ya kifedha—kiwango sawa na cha kutabirika cha ushuru ili kuwezesha wafanyabiashara halali kurejesha sekta iliyopotea na mapato ya serikali yanayopotea kupitia biashara haramu.

Changamoto kubwa ya kifedha mwaka huu ilitokana na ongezeko la biashara haramu ya utengenezaji wa sigara bila kulipa ushuru ukisalia 22% (kwa mujibu wa: 3rd Party Research) likiongozwa na haja ya wateja kupata bidhaa za bei nafuu. Hii inasababisha serikali kupoteza mapato ya zaidi ya KSh bilioni 4. Kuanzia mwaka wa 2016, serikali imepoteza takriban shillingi bilioni 15 kutokana na sigara za kukwepa ushuru.

Ili kusuluhisha tatizo hili, tunapendekeza kuongezwa kwa udhibiti katika utengenezaji wa bidhaa, kuchunguza kiwango cha bidhaa zinazouzwa nje ya nchi na kuhakikisha ubora wa bidhaa zinazosambazwa. Kwa kuwa asilimia kubwa ya sigara zinazouzwa nchini ni zile zinazoingia nchini kwa njia haramu kutoka nchi jirani, tumekuwa tukipendekeza kuboresha udhibiti wa mipaka ya Kenya na ukaguzi wa viwanda ili kuthibitisha uhalali wa kiwango cha bidhaa zinazohitajika ikilinganishwa na kiwango kinachotengenezwa na masoko katika ujirani wetu. Pamoja na kutoza adhabu kali, tunaamini kuwa ikiwa mikakati hii itatiliwa mkazo, itakuwa na uwezo wa kupunguza biashara haramu ya bidhaa za tumbaku nchini Kenya na kuzuia njia za kuvuja mapato ya serikali na kutoa nafasi kwa wafanyabiashara halali kurejesha hali yao.

Kutimiza mahitaji ya wateja

Leo hii, tunaona fursa ya kutimiza mahitaji ya wateja ambayo kwa muda yamekuwa na upungufu kutokana na mabadiliko ya jamii na udhibiti. Tutabadilisha mfumo wetu wa kukua kupitia maendeleo ya kuekeza katika tumbaku, nikotini na zaidi ili kushughulikia mahitaji yanayobadilika na mapendeleo ya wateja wetu. Hivyo basi, tumebadilisha mikakati yetu na kumakinika zaidi katika kutekeleza mabadiliko ya utendakazi wa bidhaa mpya, ikichangiwa na kuendelea kuekeza kukua katika biashara ya uvutaji. Mojawapo wa mkakati wa kupata thamani ya juu kutokana na biashara ya uvutaji, hii tulifaulu kubadili jina la bidhaa yetu maarufu kutoka kuita Sportsman na sasa kuitwa Rothmans ambalo ni jina la kiwango cha kimataifa. Jambo hili ni mojawapo wa mikakati yetu kuhakikisha kuwa tuna bidhaa chache, lakini zenye uzito wa hadhi ya kimataifa. Mabadiliko yetu yameimarishwa kwa mtazamo wa kipekee wa wateja katika viwango vikuu ambayo inaongozwa zaidi na utafiti mkuu wa wateja na uchanganuzi wa data. Biashara yetu itaimarika ikiwa tutakumbatia kikweli mabadiliko ya kidijitali na kuimarisha utamaduni wetu wa ndani ya kampuni.

Shirika lenye Lengo madhubuti

Watu wetu wamo katikati ya lengo letu. Na jinsi biashara yetu inavyobadilika, ndivyo thamani ya wafanyakazi wetu pia inabadilika. Leo hii tunawavutia wafanyakazi wenye talanta mbalimbali na ustadi wa viwango vya juu kuliko siku za hapo awali na kuchangia uwezo wa kufurahisha katika biashara.

Kwa wafanyakazi wetu wa muda mrefu na waliojiunga nasi hivi karibuni, tunachochea maadili yatakayokabilina na mabadiliko yasiyoisha na yanayokumbatia mazoea ya kujifunza ili kujiboresha kila wakati. Ubora wa wafanyakazi wetu ndilo jambo limetuwezesha kuwa na biashara iliyo imara na iliyoweza kukabili changamoto kuu ya sasa, ya janga la Korona. Kutokana na maazimio yetu makuu ya kuhakikisha kuwa wetu wana usalama wakati wa janga, nilipata fursa ya kusimamia ushirikiano na Wizara ya Afya uliowezeshwa na Muungano wa Kampuni za Kibinafsi (KEPSA) kuwezesha kutoa chanjo ya Korona kwa wafanyakazi wetu na wanajamii karibu na kampuni yetu. Jambo hili litaendelea mwaka wa 2022 kama itakavyohitajika.

Ili kuendeleza ushirikishwaji wa wote, BAT imeendelea kuheshimu na kuthamini utofauti wa watu, na itaendelea kujenga utamaduni wa kusaidia na kuhusisha wote sasa na siku za usoni. Tunawazia tofauti za watu na kuhusisha wote kwa upana wake kama sifa zinazomfanya kila mmoja kuwa na upekee wake. Tumepiga hatua katika masuala ya Utofauti na Uhusisho (D&I) kama vile kuwahamasisha wanawake, (asilimia 40% ya wafanyakazi wetu ni wanawake) umri, tofauti za kitamaduni na kijamii na kadhalika. Lengo langu ni kuwa na angalau asilimia 50 (50%) ya wafanyakazi wa kike kwenye biashara yetu kwa muda wa kadri.

Kwenye suala la utofauti na uhusisho, tulipiga hatua kubwa mwaka wa 2021 na tunapania kuboresha zaidi mwaka wa 2022. Zaidi najivunia hatua tulizopiga katika kuimarisha kujitolea kwetu kuwa na mahali pa kazi panaposhughulikia wafanyakazi wenye mahitaji maalum. Mwaka uliopita tuliweza kuwa wanachama wa muungano wa wanabiashara wenye mahitaji maalum Kenya (KBDN). Hii inaonyesha lengo letu katika kuwa na wafanyakazi zaidi wenye ulemavu hadi asilimia 5% kufikia mwaka wa 2025. Tunaamini kuwa ushirikiano huu utakuwa wenye manufaa katika kufanikisha Utofauti na Uhusisho pamoja na lengo letu kuu la kujenga Kesho Bora. Mwaka huo huo, tulianzisha muungano wa wanawake katika BAT (WIB) kwenye soko letu la jumuiya ya Afrika Mashariki. WIB ni muungano unaojiongoza wa kimataifa wa wana BAT ambao wanapenda tofauti na wanaotaka kuona wanawake wakiendelea kuimarika ili wafikie uwezo wa juu.

Maono yetu pamoja

Miaka miwili iliyopita katika kipindi cha janga la Korona imekuwa na changamoto si haba. Hata hivyo, tumejifunza mengi ya thamani. Na ingawa changamoto zitaendelea kuwepo katika mazingira yetu ya kazi, nina matumaini kuwa tutajenga na kuimarisha biashara yetu. Kuendelea, ni wajibu wangu kuhakikisha kuwa kuimarika huku ni kwa haraka, dhabiti na kwenye uzito katika miaka ijayo. Tumejitolea kuhakikisha kuwa tuna biashara yenye vitengo mbalimbali unaotokana na kuwekeza kwenye aina za sigara zetu. Hili litawezesha ukuaji wa kutegemewa, matokeo mazuri na mapato ya juu kwa washikadau wetu.

Nina imani kuhusu hatima ya biashara yetu na nina furaha kuongoza kikundi hiki cha watu wenye vipaji ambao tuna maono sawa ya kuongoza uvumbuzi mpya katika BAT. Nina hakika kuwa tuna mikakati ya kukua na kustawi na kutuhakikishia kuwa na Kesho Bora.

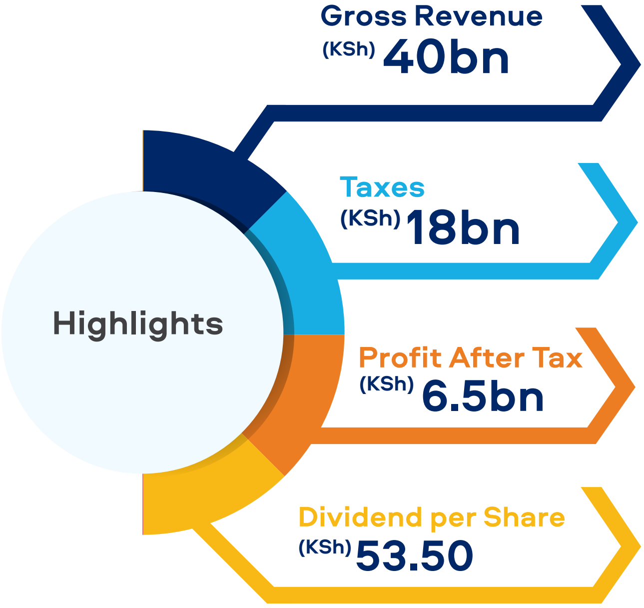
Mwisho, natoa shukrani kwa bodi, kikundi changu cha uongozi na familia nzima ya BAT Kenya, kwa kupata matokeo mazuri mwaka wa 2021 pamoja na michango yao ya thamani kusaidia kuafikia malengo yetu.

Crispin Achola
Mkurugenzi Mkuu

BAT Kenya offices at Likoni Road, Industrial Area, Nairobi

"We continue to consistently deliver against our financial objectives ..."

Financial Director's Review



Resilience to overcome operational challenges

The COVID-19 pandemic has had a profound impact on business and society. At the beginning of the pandemic in 2020, we took swift action to ensure that we could continue to operate safely and effectively. The easing of COVID-19 related restrictions in 2021 enabled a more favourable trading environment. This, coupled with continued investment in our brands, support to our trade partners and excellence in execution by our people, helped maintain stability in our domestic sales.

The continued prevalence of illicit trade in tax evaded cigarettes, estimated at 22% (source 3rd party research) as at the close of 2021, remains a significant challenge and continues to adversely impact legitimate industry revenues and deny the Government of more than an estimated KSh4 billion per annum in taxes. It therefore remains crucial for industry players to work with the relevant Government agencies to contain the flow of illicit product in the country.

On the business performance front, gross revenue increased by 3% to KSh 40 billion. This was primarily driven by pricing benefits, following excise-led price increases in the domestic market.

This revenue growth was marginally reduced by lower export sales, attributable to slower economic recovery in some of our key markets. It was further offset by a KSh 1.1 billion (8%) increase in Excise Duty and Value Added Tax (VAT), following inflationary increases in excise duty rates and VAT rate changes. Consequently, net revenue increased only marginally by 0.4% to KSh 25.4 billion.

Profit After tax grew by 18% to KSh 6.5 billion driven by the increase in net revenue, effective cost management and offset by higher corporation tax in line with rate changes.

Delivering sustainable shareholder value

We continue to consistently deliver against our financial objectives, which allows us to reward shareholders with a high dividend payout year on year.

In 2021, earnings per share was up 18% at KSh 64.83 (2020: KSh 55.18) reflecting the higher profitability. Dividend per share will be KSh 53.50, an increase of 19% (2020: KSh 45.00), in line with our commitment to deliver sustainable shareholder value.

Confidence in our future

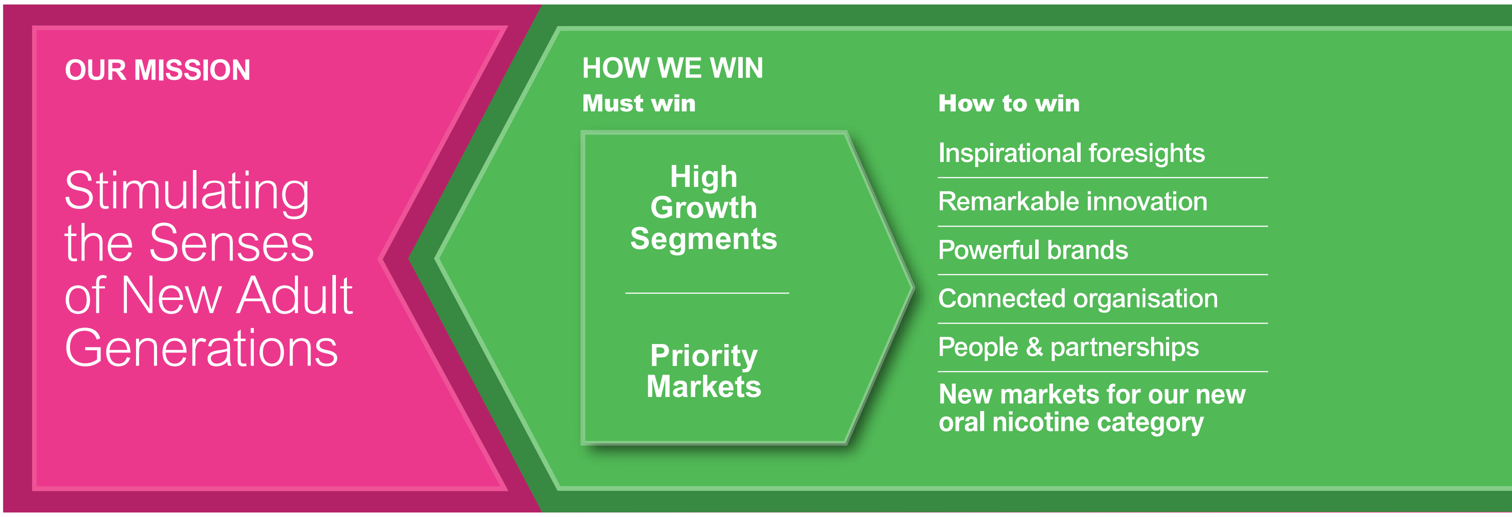
We are making progress on implementing our strategy to build A Better Tomorrow™; with our Health, Environment, Social and Governance (HESG) agenda at the core of our business. We continue to contribute to national dialogue on the regulatory and fiscal framework to support a commercially sustainable re-entry into the Tobacco-free Oral Nicotine category.

Our ongoing success is made possible by the dedication and energy of our people. We are confident that this, together with investments in creating a more efficient, agile, and focused business, will enable delivery of our strategy and propel the Company.

Philemon Kipkemoi
Finance Director

Our | Purpose and Strategy

As a leading consumer goods business, our purpose is to build A Better Tomorrow™ for our consumers, society, employees and shareholders. Our ambition is to increasingly transition our business from cigarettes, to innovative and less risky* nicotine products as an alternative to smoking, to reduce the health impact of our business. This will deliver A Better Tomorrow™ for our consumers who will have a range of enjoyable and potentially less risky* choices for every mood and moment; for society through reducing the overall health and environmental impacts of our business; for our employees by creating a dynamic and purposeful place to work; and for our shareholders by delivering sustainable superior returns.



OUR MISSION

Stimulating the senses of new adult generations

Today, we see opportunities to capture consumer moments which have over time, become limited by societal and regulatory shifts, and to meet evolving consumer needs and preferences.

Our mission is to anticipate and meet this ever-evolving consumer: reduce risk, increase choice and stimulate the senses of adult consumers.

Must Wins

High growth segments

Driven by our unique and data-driven consumer insights, we will focus on product categories and consumer segments across our markets that have the best potential for long-term sustainable growth.

Priority markets

By relying on a rigorous market prioritisation system, we will focus the strengths of our unparalleled retail and marketing reach, as well as our regulatory and scientific expertise, on those markets and marketplaces with the greatest opportunities for growth.

How we win

Inspirational foresights

As one of the longest-standing and most established consumer goods businesses in the world, we have a unique view of the consumer which is increasingly driven by powerful data and analytics. These insights ensure that the development and responsible marketing of our products is fit to meet consumer needs.

Remarkable innovation

As consumer preferences and technology evolve rapidly, we rely on BAT Group's global network of digital hubs, innovation super centers, world-class R&D laboratories, external partnerships and upcoming corporate venturing initiative to stay ahead of the curve.

Powerful brands

For over a century, we have built trusted and powerful brands that resonate with our consumers and symbolise what they want. We will focus on fewer, stronger and global brands across our product categories, delivered through our deep understanding and segmenting of our consumers.

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

> *We are at an exciting point in our transformation journey, with a clear purpose, an evolved strategy and an ambitious agenda. We are on a journey to become a business that defines itself, not by the products it sells, but by the consumer needs it meets. All this, underpinned by a robust Environment, Social and Governance (ESG) agenda.*
>
> ***Crispin Achola***
> ***Managing Director***

Connected

Staying connected to our over 50,000 trade partners ensures better consumer connections, access to markets and innovations that satisfy consumer needs.

People and partnerships

Our biggest asset is our highly motivated people whom we are empowering through a new Ethos that is responsive to constant change, embodies a learning culture and is dedicated to continuous improvement. But we cannot succeed on our own, and our partnerships with farmers, suppliers and traders are key to ensuring sustainable growth.

Oral Nicotine category growth

Evidence shows that people smoke cigarettes – and continue to smoke them despite warnings about risk – in order to get nicotine. But cigarette smoke doesn't just contain nicotine: it contains thousands of toxicants produced by the process of burning, many of which are known to be harmful to human health.

The idea of tobacco harm reduction is to encourage smokers who would not otherwise quit, to migrate to products such as our tobacco-free oral nicotine pouch - VELO - that deliver nicotine without those other toxicants. This Modern Oral Nicotine category can be a commercial success and could have the potential to lead to a reduction in the health burden associated with smoking related diseases in Kenya.

OUR PURPOSE

By stimulating the senses of new adult generations, our vision is to create A Better Tomorrow™ for our stakeholders. We will create 'A Better Tomorrow™' for:

Consumers

By responsibly offering them viable and stimulating choices for every mood and moment, today and tomorrow.

Society

By reducing the health impact of our business through offering a range of alternative products, as well as by reducing our environmental and social impacts.

Employees

By creating a dynamic, inspiring and purposeful place to work.

Shareholders

By delivering sustainable and superior returns.

Our Business Model

BAT Kenya understands its diverse consumers, develops products to meet their preferences, and ultimately distributes them to over 13 markets in Africa.

Eight key enablers support us in turning powerful insights into products that meet consumer needs, while engagement helps our key stakeholders benefit from our sustainable growth.

IP / Technology

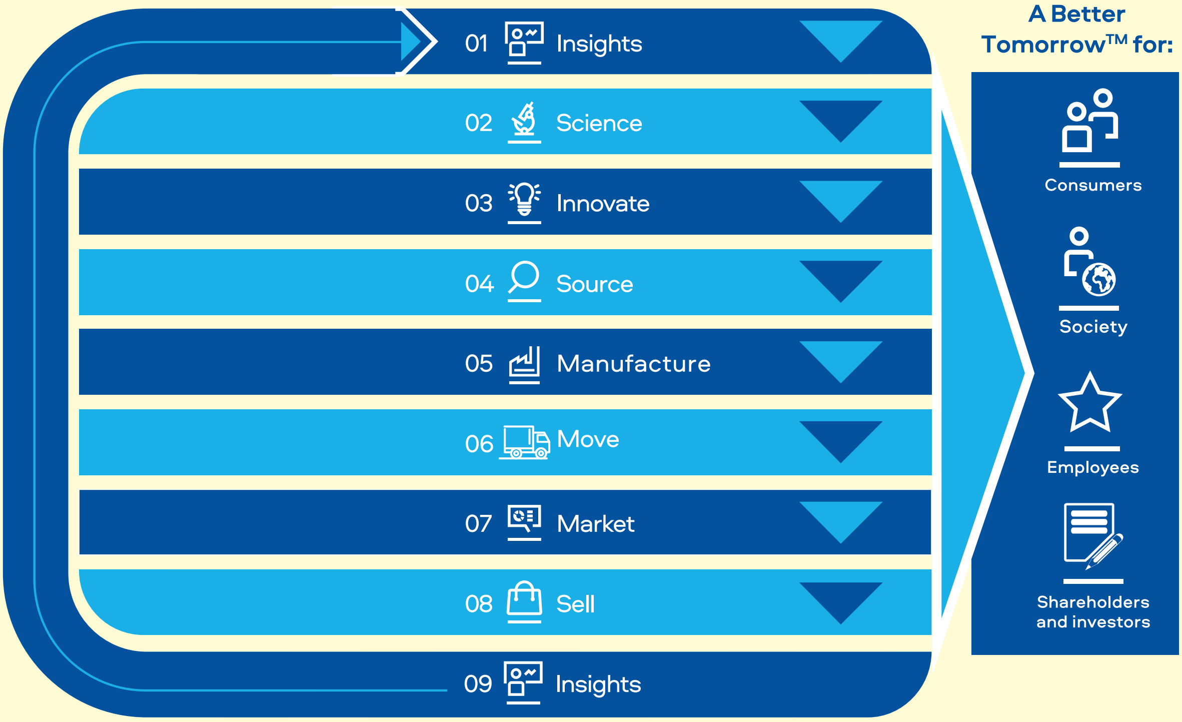
73mn+^{KSh}
OpEx
spend in 2021

Environmental

55mn
trees planted since
1978

Manufacturing

697mn^{KSh}
productivity savings



Social

80,000+
local strategic partners
in our value chain

Financial

19%
growth in dividend
payout 2021 vs 2020

Human

148mn+^{KSh}
investment in refurbishment
of our manufacturing offices and
employee facilities

Key enablers

Insights

Seeing over the horizon

As one of the most long-standing and established consumer goods businesses in the world, we have a unique view of the consumer across our product categories, which is increasingly driven by powerful data and analytics. These insights ensure that the development and responsible marketing of our products is fit to satisfy consumer needs.

Driven by the BAT Group's consumer insight platform PRISM, BAT focuses on product categories and consumer segments that have the best potential for long-term sustainable growth.

Science

Accelerating tobacco harm reduction

World-class science is needed to substantiate the quality, safety and reduced-risk impact of BAT's New Category products. This is crucial for building consumer trust and encouraging adult smokers to completely switch to less risky* alternatives.

BAT Group has an extensive scientific research programme in a broad spectrum of scientific fields, including molecular biology, toxicology and chemistry. We are transparent about our science and publish details of our research programmes on BAT's dedicated Group website: www.bat-science.com, and the results of our studies in peer reviewed journals.

Innovate

Staying ahead of the curve

As consumer preferences and technology rapidly evolve, BAT relies on its network of digital hubs, innovation super centers, world-class R&D laboratories, external partnerships and the Group's venturing initiative, Btomorrow ventures, to stay ahead of the curve.

Driving sustainable growth is at the core of our innovation. BAT makes significant investments in research and development to deliver innovations that satisfy or anticipate consumer preferences and generate growth for the business. Led by our strength in developing consumer insights, each innovation helps us on our journey to build A Better Tomorrow™ by reducing the health impact of our business.

Source

Sourcing materials responsibly

Our tobacco is sourced directly from Kenyan contracted tobacco farmers. In 2021, we contracted approximately 2100 farmers, concentrated mainly in Bungoma, Busia, Migori, Homa Bay, Meru, Embu and Tharaka Nithi. We provide business and employment opportunities for over 80,000 suppliers and traders in our value chain.

Manufacture

Utilising our world-class manufacturing capabilities

We manufacture high-quality cigarettes in modern facilities and ensure that these products and the tobacco leaf we purchase are in the right place, at the right time. We work to ensure that our costs are globally competitive and use our resources as effectively as possible.

Move

Moving our products seamlessly

By applying modern technologies, including AI and machine learning, we ensure that our products are where they are needed when they are needed. We distribute our products effectively and efficiently using a variety of distribution models suited to local circumstances and conditions. These distribution models include retailers, supplied through distributors and wholesalers.

Market

Marketing our products responsibly

Tobacco and nicotine products should be marketed responsibly to adults only and should never be sold to or consumed by those under the minimum lega age. Through a globally responsible approach to marketing, we help to raise standards and prevent under age access.

Our International Marketing Principles (IMP) govern our marketing across all product categories. They include strict requirements to be responsible, accurate and targeted at adult consumers only. Our IMP are applied even when they are stricter than local laws.

Sell

Offering consumer choice

We have a powerful brand portfolio that we are proud of. Our brands are well positioned, with leading edge insights, science and innovation behind our product pipeline.

BAT offers a range of products in markets around the world, including combustible products, vapour, modern oral and tobacco heating products (THPs). This range of high quality products covers all segments, from value for money to premium. Products manufactured in Kenya are sold in the domestic and various regional markets.

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

Our Sustainability Agenda

Our sustainability agenda is integral to our Company strategy and purpose to build A Better Tomorrow™. It reflects our commitment to reducing the health impact of our business as our principal focus area. This is underpinned by excellence across our environment, social and governance (ESG) priorities.

Our strategic approach is driven by extensive stakeholder insights. Each year, we undertake a review of the most material ESG topics. Through this robust process, we engage with a wide range of stakeholders to understand what matters most, complemented with ongoing risk, monitoring, research and benchmarking. This ensures we keep pace with emerging topics and stakeholder expectations.

Outlined below are the priority areas that form the core of our Sustainability Agenda. The are backed by clear and measurable targets for each area, which we track on a regular basis.

S — Reducing The HEALTH Impact of Our Business

- CONSUMER CHOICE
- WORLD-CLASS SCIENCE
- STANDARDS AND REGULATIONS

E — Excellence in ENVIRONMENTAL Management

- Climate Change
- Water and waste
- Sustainable agriculture
- Circular economy

S — Delivering a Positive SOCIAL Impact

- Human rights
- Farmer livelihoods
- Health and safety
- People and culture

G — Robust Corporate GOVERNANCE Impact

- Business ethics
- Responsible marketing
- Regulation and policy engagement

Creating Shared Value For

- Consumers
- Society
- Employees
- Shareholders

Our Ethos

Our purpose is to build ‘A Better Tomorrow™’ by reducing the health impact of our business through offering greater choice of viable products for our consumers.

A key driver to deliver this will be our Ethos which guides behaviours across the entire BAT Group. It has been developed with significant input from our employees and promotes a culture that is future-fit by providing a foundation for sustainable growth.

We are BOLD

Dream big - with innovative ideas

Make tough decisions quickly and proudly stand accountable for them

Resilient and fearless to compete

We are FAST

Speed Matters. Set clear direction and move fast

Keep it simple. Focus on outcomes

Learn quickly and share learnings

We are EMPOWERED

Set the context for our teams and trust their expertise

Challenge each other. Once in agreement we commit collectively

Collaborate and hold each other accountable to deliver

We are DIVERSE

Value different perspectives

Build on each others’ ideas, knowledge and experinces

Challenge ourselves to be open-minded, recognising unconscious bias

We are RESPONSIBLE

Take action to reduce the health impact of our business

Ensure the best quality products for our consumers, the best place to work for our people, and the best results for shareholders

Act with integrity, never compromising our standards and ethics

Business Review

A Better Tomorrow™ for Consumers

Delivering A Better Tomorrow™ through inspirational foresights to drive cross category portfolio development and sustainable partnerships.

Building powerful brands

We continue our drive towards a simplified and focused portfolio, fit to deliver consumer needs now and in the future.

In 2021, we made one of the most significant strides in our portfolio transformation journey. Following a robust consumer validation process, we successfully completed the pack migration of our most iconic brand - Sportsman, into our global strategic value-for-money brand, Rothmans. Excellent execution resulted in the delivery of exceptional results of a 100% retention of our existing volume and retail franchise, while delivering +2% volume growth. This transition allows us to access the global innovation pipeline that will firmly establish Rothmans as a sustainable value brand delivering differentiated, tangible consumer-relevant innovation that justifies consumers' continued investment in the brand.

For the premium consumer, we continued to leverage innovation to deliver best in class, superior product experiences that reinforce Dunhill's leading, premium positioning within the category. The new Tube filter introduced in Dunhill Switch, offers our discerning premium consumer a two-pronged elevated smoking experience with the firmer filter and reduced odour technology.

We remain committed to the continued delivery of innovation to our consumer in tobacco & beyond.

Inspirational foresights

Consumer insights are key in our quest to anticipate and meet the evolving needs of our adult consumers and the expectations of the society in which we operate. In line with our purpose to build A Better Tomorrow™, we are increasingly looking at the consumer experience from a total nicotine perspective, as a guide to developing our portfolio pipeline for the future. This will be strongly supported by our focus on responsible marketing, that will include leveraging our trade partnerships for compliance with guidelines of our programme for the prevention of under age access.

Building sustainable trade partnerships through innovative route to market initiatives

Our focus in 2021 was on ensuring the continuity of our business post the disruption occasioned by the COVID-19 pandemic. This was underpinned by three priority areas as outlined below:

- *Trade business partner recovery:* in view of the impact that COVID-19 has had on small businesses in Kenya, we rolled out a recovery acceleration programme in collaboration with a local banking partner, which seeks to help our retail partners rebuild their working capital.
- *Containing illicit trade in tobacco products:* In partnership with local businesses in the trade, we rolled out an awareness campaign that seeks to change behaviour by educating retailers on the dangers and impacts of illicit trade.
- *Route to market transformation:* We collaborated with our distribution partners to deploy digital platforms in our distribution chain, designed to improve efficiency and optimise cost management.

Responsible marketing

We have in place a robust programme for the prevention of under age access, which we work to continuously improve and enhance. This is in adherence with our International Marketing Principles and local laws.

Clear health warnings and age restrictions are affixed on our product packaging so that parents and adults are clear that the product is not suitable for anyone under the age of 18 years in Kenya. The active ingredient is also clearly identified on the packaging. We have gone a step further and enhanced this programme through initiatives such as:

- Regular training and education workshops for our retailers and trade partners, on compliance with the applicable regulations and guidelines on the sale of our products.
- Retailer spot checks carried out by BAT trade representatives to ensure all points of sale display the appropriate health warnings and minimum legal age information notices.
- Contractual requirements and undertaking by traders to adhere to applicable regulations and guidelines, including requirements not to promote or sell products to persons below 18 years.
- Instruction of our retailers to place our products away from the reach of consumers.

BAT Kenya employees with retail trade partners during a market visit.

A Better Tomorrow™ for Society and the Environment

Our approach to sustainability

World class manufacturing

We continue to invest in our manufacturing operation to build future-fit capabilities and accelerate our transformation and ambition to build A Better Tomorrow™.

In 2021, our Nairobi factory continued to position itself as a choice manufacturing hub for the BAT Group, through continued delivery of year-on-year improvement across all our performance metrics. This was mainly driven by our continued implementation of Integrated Work Systems (IWS), a key factory productivity driver in building employee capabilities and sustaining break-through business results through 100% employee ownership with a zero-loss mindset.

During the year, total cigarette production reduced by 4.5% vs 2020, mainly due to shrinking demand occasioned by heightened levels of illicit trade in cigarettes. Exports of cut rug tobacco (CRT) increased by 7.8% vs 2020, driven by orders from Sudan.

A key milestone was the delivery of an Overall Equipment Effectiveness (OEE) of 70.03% and Mean Time Between Failure (MTBF) of 15.24 minutes. These are indications of robust employee capabilities in eliminating losses in both our processes and machinery.

Our continued focus on loss elimination delivered productivity savings of KSh 697 million from process improvement, wrapping materials and tobacco waste reduction and energy saving initiatives.

On the product front, we invested in capsule filter production technology, which is contributing to productivity savings and eliminating the need for importation, thus further supporting the development of local talent and the economy.

Energy management

Our energy management strategy continues to deliver significant results which are a key driver of our transformation journey.

In 2021, we continued our focus on energy-saving initiatives by implementing phase two of our green energy (solar) project geared towards reducing the total energy consumption per unit of production, as well as our carbon footprint. Currently, this amounts to 400kw, with a target to more than double our solar installations in 2022 as we remain focused on achieving neutrality in our business by 2030. Strategic interventions implemented during the year saw us reduce our energy usage by 7,025 Giga Joules and carbon emissions by 965 tonnes.

At our Green Leaf Threshing Plant (GLTP) in Thika, our solar project targets to meet 30% of the GLTP's total power needs. It is noteworthy that this site is one of the best performing in energy management within the BAT Group.

As a leading manufacturer in Kenya and the region, BAT Kenya is truly leading the way in energy management, with several commendations and recognition received within this realm. Notably, BAT Kenya is amongst only five institutions certified as energy compliant by the Energy & Petroleum Regulator Authority.

Additionally, we emerged the overall winners of the 2021 Energy Management Awards (EMA) organised by the Kenya Association of Manufactures (KAM). The EMAs seek to recognise organisations that have consistently demonstrated excellence in energy management.

We also received awards in four other categories, namely: Runners Up, 2021 Overall Energy Management Award - Green Leaf Threshing plant, Thika; Thermal Energy Savings Award – Medium Category, Nairobi manufacturing factory; Innovation and Best Practice Award - Green Leaf Threshing plant, Thika and Best Energy Management Team Award - Green Leaf Threshing plant, Thika.

To drive this agenda forward in 2022, we have initiated a carbon footprint assessment in conjunction with key stakeholders, consultants (KAM) and our local teams.

Our drive is not just on energy savings but reducing our overall impact on the environment. The external recognition is validation that our ESG agenda is in the right direction to deliver A Better Tomorrow™ for our society.

Alliance for Water Stewardship (AWS)

BAT Kenya understands that water is a key, yet scarce resource and should be used efficiently and responsibly with equitable sharing by all end users.

Protecting and conserving water through water management practices and governance systems, is therefore important for our various operations and footprint across the country.

As part of BAT's Environmental, Social and Governance (ESG) agenda, the GLTP pursued Good Water Governance initiatives by implementing the AWS Standard within its operations.

Water stewardship involves driving sustainable water balance practices, ensuring availability of quality water, as well as access to safe water, sanitation and hygiene for all.

The GLTP was recommended for AWS certification in November and received certification in December 2021. This makes the Kenya GLTP the first in the BAT Group to be AWS certified.

This milestone demonstrates our leadership in water stewardship in the country, and our commitment to utilising water in a more sustainable way, while protecting the site & catchment area and involving all stakeholders. This is in line with the UN sustainable development goal number six, which strives to ensure clean water and sanitation for all by year 2030.

2021 World Clean Up Day

The 2021 World Clean-up Day was commemorated on 18 September under the theme "WE ARE SMART"

With sustainability at the front and center of everything we do as well as our drive towards environmental excellence and delivering a positive social impact to our stakeholders, employees were called upon to carry out a clean-up exercise within their immediate environment - be it their office or home.

Our team at the Green Leaf Threshing plant in Thika registered impressive results, collecting 1.5 tonnes of waste from their external surroundings in less than 2 hours! The waste was subsequently collected by the local county government for segregation, recycling and proper disposal.

Safety and social governance

The health and safety of our employees, contractors and visitors to our sites is a top priority for the Business.

As parts of efforts to build A Better Tomorrow™ and demonstrative of our Responsibility Ethos, our team's commitment to continuously raise the bar with regard to safety performance is something we are immensely proud of. In 2021, we celebrated two years with zero injuries at our site in Nairobi.

Our excellence in safety practices was recognised by the Labour Ministry, as well as the safety regulator during the World Safety Day celebrations where we were issued with a certificate of recognition.

Navigating the COVID-19 pandemic

The COVID-19 pandemic continued to pose significant challenges to businesses all over the world. As we implement our business continuity plan, we continue to ensure that the safety of our people remains our utmost priority.

Over and above implementing additional safety measures in the workplace, we collaborated with the Kenya Private Sector Foundation – (KEPSA), in conjunction with the Ministry of Health, to facilitate COVID-19 vaccination for our staff, their dependants and local community members. These vaccination drives saw approximately 1,000 people being fully vaccinated.

+54m
trees planted

Afforestation:
Over 54 million trees planted since 1978, over 2 million planted annually since 2014.

Renewable energy:
Phase 1 Solar power installation in 2021 for supply of **300kW** leading to a reduction of **80 tons** of CO_2 emissions.
Phase 2 to commence in 2022, Supply 1.2 Mw, reduce 240 tons of CO2 emissions.

402T
CO_2 REDUCTION

Energy management:
Installation of a new high efficiency boiler: Reduction of 402 tons of CO_2 emissions in 2021.

1.5T
waste collected

Waste management:
Clean-up of our Thika Green Leaf Threshing Plant environs during the 2021 world clean up day. 1.5T of community waste collected for proper disposal.

100%
OF FARMERS

Sustainable agriculture:
100% of farmers practicing crop diversification in 2021.

370T
SUSTAINABLE WOOD FUEL

Sustainable wood fuel:
370 tons realised in 2021.

ZER0
waste to landfill

Circular economy:
Zero waste to landfill

40%
WATER RECYCLED

Water stewardship:
Water recycling: up by +40% and reduction of consumption by 5%.

1T
UNIFORMS RECYLED

Circular economy:
One tonne of old employee uniforms recycled into usable products.

Excellence in environmental management

A tree for every Kenyan: To date, we have recorded over 54 million surviving trees planted since 1978.

Reducing the environmental impacts of what we do is a key priority for us. In addition to implementing various energy and productivity initiatives, we work with local communities and relevant authorities to address the impacts of our business activities. This is in addition to the environmental pressures caused by the evolution of our ecosystems, such as climate change and impacts of human activity.

In 2021, we planted over 2 million trees across the country in partnership with our farmers and local stakeholders. On the biodiversity front, a partnership with South Nyanza Sugar Company Limited (Sony Sugar) and Vuma Biofuels Limited continues to provide the bagasse briquettes as alternative fuel for tobacco curing. Currently a total of 413T of briquettes have been issued to farmers. The use of alternative fuels among BAT farmers is expected to grow significantly in the coming years.

Adopt A Forest programme

In 2021, we joined other corporate citizens for the national 2 Billion tree planting campaign. This is an initiative aimed at accelerating Kenya's national tree cover to the recommended minimum of 10%. BAT Kenya committed to adopt two key water towers in the country - Mt. Elgon and Cheregany Hills – to facilitate planting of 3 million trees at both sites from 2021 to 2026. This is broken down to 165,000 trees in 2021 and 600,000 trees annually from 2022 to 2026.

Donation of tree seedlings to THIWASCO

We donated 4000 seedlings to Thika Water and Sewerage Company (THIWASCO) to be planted within its catchment along river Chania during the 2021 World Water Day. This is aimed at conserving and protecting the water-shed area.

Sustainable agriculture & farmer livelihoods

Enhancing the livelihoods of our tobacco farmers through 'THRIVE', BAT's global sustainable agriculture programme.

In 2021, we partnered with approximately 2,000 farmers who are mainly concentrated in Migori, Bungoma, Busia and Meru counties. Our long and proud history of building sustainable relationships with these farmers has yielded mutual benefit. Despite the ever-changing climate conditions, our partnership with our tobacco farmers yielded 7.2 million kilograms of tobacco in 2021, earning them a total net pay of KSh 1.2 billion.

As part of our farmer livelihoods programme "THRIVE", we facilitate crop and health insurance for our farmers. Over 51% of our farmers are now members of the National Hospital Insurance Fund (NHIF) – allowing them access to medical care for themselves and their kin.

To enhance farmer livelihoods through superior crop yields we invested in research and development of our sustainable agriculture programme. Through the initiative, we introduced elite tobacco seed varieties which will guarantee better yield and disease resistance. In addition, low-cost technology has been introduced to the farmers, including the use of mechanised ploughing, ridgers and mechanised planters. These interventions will reduce the cost of production, through reduction in manual labour and time taken to prepare land and transplant seedlings from the nursery.

On the innovation front, 2021 saw us introduce the Central Seedling Unit (CSU) in our tobacco farming operation. The CSU is a top of the range technology-driven seedbed where tobacco seedlings are sowed, germinated and hardened. Seedlings produced using this technology have a higher quality, yield and survival rate compared to those from conventional seedbeds. In 2021 we distributed to farmers, four million tobacco seedlings from the two established CSUs.

A key farming element is soil, with good soil health translating to higher crop yields. In 2021, we undertook soil sampling for 30% of our farmer base to ascertain the soil health. Of the sampled population, 13% of the farmers had their soil corrected through liming. We plan to increase soil sampling to all our farmers in the upcoming crop seasons.

Crop diversification and food security

To drive crop diversification and food security, farmers were issued with 23.1 tons of certified maize seeds. This helps provide extra income from sale of any surplus maize harvested. To further enhance crop diversification, BAT intends to issue farmers with avocado and Moringa trees to be planted during the rainy seasons. This will increase farmer income and ensure that farmer livelihoods are improved through enhanced opportunities to boost cash flows.

Capability building and compliance

The year 2021 saw us enhance our capability building initiatives. In addition to training our farmers, we trained their spouses and farm supervisors on various topics including prevention and elimination of child labour, farm business management, crop diversification, safety and health on the farm and workers' rights.

Transitioning farmers

As a result of the rising levels of illicit trade in tobacco products and other challenges facing the tobacco farming environment, our farmer base reduced significantly in 2021. For those farmers who were not re-contracted in 2021, we provided a transition pack which included 600T of maize seedlings and fertiliser. In addition, to ensure that the farmers can be able to sell their produce and derive income, we facilitated access to a market linkage service.

Occupational health and safety

To enhance the health and safety of our farmers and conserve the environment, we continued to issue farmers with CPA waste collection bags. This allows us to collect agrochemical containers and dispose of them appropriately in conjunction with the National Environment Management Authority (NEMA) and the Agrochemical Association of Kenya (AAK) approved agents.

Water, sanitation and hygiene (WASH)

In 2021, we carried out three WASH projects in selected local communities. In Migori County, a dilapidated borehole and distribution line were rehabilitated, thereby bringing water to over 500 families in the community. In Busia County, borehole hand pumps in Angurai Market and Apokor were repaired. This is expected to provide clean water to an average of approximately 1400 people per day.

Community members in Migori celebrate the opening of water infrastructure refurbished by BAT Kenya.

Our socio-economic contribution

Despite the persisting challenges in our operating environment, we have consistently invested in our business and sought to increase our contribution to the socio-economic development of the country since establishment of our business in Kenya over a century ago.

Our value chain supports the livelihoods of more than 80,000 Kenyans, in tobacco farming and processing, manufacturing and tobacco product distribution, oral nicotine product distribution and sale, urban and rural retailing, wholesale trade, transport, logistics and domestic procurement amongst others. We remain a leading exporter in Kenya, earning significant foreign exchange for the country.

Our year on year investments and tax remittances have contributed to the country's economic growth. Over the past six years, we have paid over KSh 107 billion to the Exchequer in form of various taxes. Further, we have contributed approximately KSh. 18 billion in corporation, excise, VAT and PAYE. Our track record has received recognition from various regulatory and industry bodies. In 2021, we were awarded at the Financial Reporting Awards in the following categories: Winner in the Governance category and Runners Up in the Listed Companies, Industrial Commercial & Services and Environment & Social Reporting categories.

Our approach to regulation

We welcome balanced, evidence-based regulation for our cigarette and alternative nicotine products, which is the result of a consultative process in which the potential unintended consequences have been fully explored and addressed.

We believe that a responsible and effective regulatory and fiscal environment that considers robust science and data is crucial for business, government and consumers. It facilitates responsible and sustainable business while supporting the manufacturing pillar of the Government's Big Four Agenda, enabling the growth and development of over 80,000 adults involved in our business.

We continue to transparently contribute to the development of a balanced and predictable regulatory and fiscal environment for our business.

Devolution

Since its inception ten years ago, Kenya's devolution scorecard remains a mixed bag of successes and challenges. A key consequence of devolution has been the increased number of regulatory and administrative units in Kenya, which in recent years, has resulted in regulatory overlap and overreach. This presents challenges for businesses as some counties seek to introduce new regulations for various industries including ours. This causes conflict with the existing national regulation and sets the scene for increased cost and complexity of compliance, as well as administrative burden. This fundamentally undermines the ease of doing business in the country and will adversely impact the manufacturing sector, our business and that of our traders. The costs implications alone will contribute to increased illicit trade across a number of industries.

Excise tax

Unpredictable and steep excise increases continue to adversely impact consumer affordability, leading to a higher incidence of illicit trade at the expense of the legitimate industry and tobacco-related Government revenues. This has been further compounded by the resultant differentials in excise rates in Kenya's neighbouring EAC partner states, with the excise payable in Kenya being double that of Uganda and almost triple that of Tanzania.

The COVID-19 pandemic worsened an already challenging business environment. Even as the containment measures taken by Government to curb the spread of COVID-19 were gradually lifted, the economic recovery has been slow. Consumer affordability challenges and resultant reduced purchasing power persisted, owing to shrinkage of economic activity and increased unemployment. Financially stretched consumers opted to reduce their purchases or consume tax-evaded cigarettes sold below market prices, driving up demand for illicit cigarettes.

Despite there being no increase in the base rates of excise tax on cigarettes in the Fiscal Budget read in June 2021, the Kenya Revenue Authority did announce on 4 November, a 4.97% inflation adjustment to these rates. This brings the total increase on cigarette excise tax to 30% since July 2019. This is a steep increase, affecting our sustainability in the market, especially in the face of the sustained COVID-19 pandemic and the resultant suppressed economy and consumer affordability challenges. This inflation adjustment has since been challenged in court by a traders association, and a court injunction granted against its implementation. We continue to monitor this development even as we contribute to national dialogue to adopt a more sustainable fiscal policy towards excisable goods generally and, cigarette products in particular.

Fighting Illicit trade in tobacco products

On the back of these fiscal challenges, the illicit trade in tax-evaded cigarettes persisted during the year, remaining at an estimated 22% (source: 3rd party research), driven by consumers downtrading in their search for cheaper products. This translates to an estimated annual loss of over KSh 4 billion in Government revenues.

Since 2016, the Government has lost an estimated KSh. 15 billion from tax evaded cigarettes. A major component of this is cross-border tax-evaded cigarettes from neighbouring Uganda and South Sudan.

To curb this menace, we advocate for increased controls on manufacturing processes, monitoring of export volumes and enhanced supply chain due diligence requirements.

BAT Kenya MD, Crispin Achola (left) with tobacco farmers in Oyani during distribution of maize seeds and farm inputs.

With smuggled cigarettes from neighbouring countries being the bigger percentage of the illicit cigarettes sold in Kenya, we have particularly been advocating for improved border controls.

Together with greater penalties, we believe that these measures, if implemented and enforced, have the potential to significantly bring down the levels of illicit trade in tobacco products in Kenya and seal revenue leakages, while creating space for legitimate industry players to recover.

Our contribution to the Big Four Agenda

We are committed to building A Better Tomorrow™ through the transformation of our business and the tobacco industry as a whole. While combustible products will remain at the core of our business for some years to come, our transformation journey towards tobacco harm reduction continues.

Our KSh 2.5 billion investment in a new world class factory for the manufacture of tobacco-free modern oral nicotine pouches – the first of its kind in Africa – remains a testament to our commitment to Kenya and the Government's Big Four Agenda on manufacturing. This contributes significantly to the Kenyan economy, further supporting over 50,000 Kenyans and local businesses in our extended value chain. Subsequently, this is expected to deliver enhanced value for approximately 4,000 local shareholders.

A sustainable fiscal and regulatory environment for these new category products in Kenya and across the continent is key for the continued viability of our factory investment. We continue to contribute to dialogue on creating a sustainable, evidence and science based regulatory framework for new category products in Kenya.

Reducing the health impact of our business

Our harm reduction strategy is underpinned by science and innovation, with a focus on developing reduced risk* product categories. We are applying world class science and research to provide adult consumers with alternative and viable products that aim to address some of the health risks related with conventional cigarette smoking, underpinned by a balanced, evidence-based regulatory framework, including ensuring safety and quality through product standards.

It is widely acknowledged that most of the harm associated with conventional cigarettes is caused by the toxicants in the smoke produced by the burning of tobacco. The aim of Tobacco Harm Reduction is to minimise the health impacts of cigarette smoking by encouraging adult smokers who would otherwise continue smoking, to switch to scientifically substantiated reduced-risk products (RRPs)*. Globally, the BAT Group has developed a range of reduced risk* products - Tobacco Heated products, Vapour products and Modern Oral Nicotine pouches, that address the health risks related with conventional cigarettes.

An increasing number of progressive international scientific and public health communities have recognized the importance of new nicotine products based on scientific evidence. The FDA in October 2021 gave approval for e-cigarettes to be marketed as a means of quitting smoking. Public Health England has also recognised the use of e-cigarettes as being likely to be at least 95% less harmful than smoking. The Royal College of physicians in Sweden has credited the use of Nicotine Pouches with reduced smoking rates. A research done by the institute of Tobacco studies shows that Sweden has the lowest rates of tobacco-related diseases in Europe.

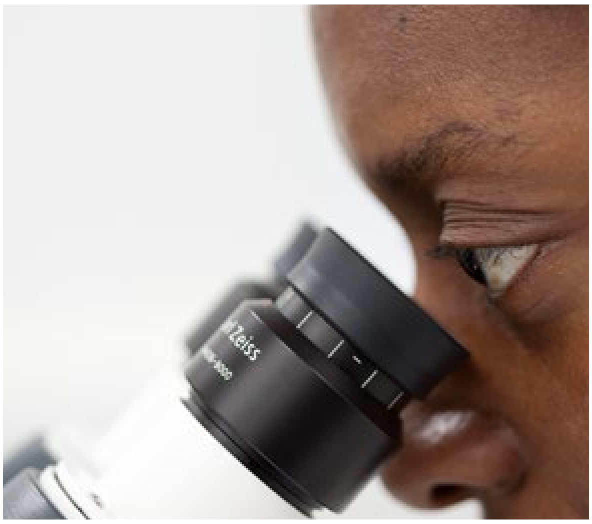
In 2021, BAT became the first company in the US to receive marketing authorisation for its vapour product, Vuse, from the US Food and Drug Administration (FDA), under its Premarket Tobacco Product Application (PMTA) process. The authorisation confirms the FDA's conclusion that the marketing of this product is appropriate for the protection of public health in the US.

Many countries such as the UK, US and France have recognised that alternative nicotine products are likely to be less risky than smoking* and their availability could have the potential to help reduce smoking-related harm at a population level. In the UK for example, vaping is credited with helping about 50,000 to 70,000 people stop smoking every year and is widely endorsed by its Ministry of Health.[i]

Given Kenya's progressive approach and position as a leader in the region, our government has a real chance to lead in reducing tobacco-related harm, by enacting and implementing regulations that support less risky nicotine products* in our country.

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

[i]https://www.ucl.ac.uk/news/2019/oct/e-cigarettes-may-help-over-50000-smokers-quit-england-each-year



Highlight | Our women farmers

1. Tell us a little bit about yourself

I am 47 years old, been married for 24 years and a mother of four children. My fist born graduated from university and is working as a banker, the second one went through college and is working as a mechanic, my third is in form two and my last born is in standard eight.

I have been growing tobacco for the last 19 years.

2. Has tobacco farming been beneficial to you?

Oh yes. It provides for me and my family. I have been able to educate my children and meet our domestic needs, including building our family house. I also use income from tobacco to inject capital into other businesses and facilitate farm diversification projects.

3. Are you involved in any other activities apart from tobacco growing?

Yes, I sell second-hand clothes. I also belong to a women's table banking group of 15, where we contribute KSh1,000 per week. It's a merry go round, where when we hit KSh 15,000 one lady gets the lumpsum monies to facilitate investment in a venture of her choice.

Every December, we set up a specific project as a group. The last venture we set up was an M-PESA shop where we share the profits and inject it as capital into our other businesses.

4. How do you balance your time given all your activities?

I wake up early to do housework and make breakfast. I then go to the farm to check that all is in order and guide the workers on what to do. Thereafter, I proceed to my clothes selling business. When back home in the evening I make dinner for my family and ensure that all is okay in the house before retiring for the day.

For tobacco farming, I bring in seasonal workers to help during the labour-intensive periods, such as during the nursery stage and curing. When the tobacco growing season is off, I focus my time on my other businesses.

5. Do you face any challenges in tobacco farming?

Well, tobacco growing is labour intensive, and therefore most say it is suited to men, but I do not believe so. Everything worth doing takes a certain amount of energy, and it's the same with farming - be it tobacco or any other crop. To address the labour aspects, I have my husband and adult family members who assist on the farm, over and above the farm helpers that we hire.

6. What other farming activities do you undertake apart from tobacco growing?

The tobacco plant takes long to get ready, therefore, in order to supplement my income before harvest, I plant traditional vegetables, tomatoes and bananas which I sell. This also ensures food security for my family. I also rear chicken, sheep and dairy cows which I sell to generate additional income and ensure food security for the family.

7. What type of innovation, technology or benefits do you apply in your farming?

BAT facilitates provision of personal protective equipment, tree seedlings for afforestation and alternative fuels made from sugarcane bagasse briquettes to use for curing the tobacco. The Company has also provided farm extension services which equip me with the latest knowledge on tobacco growing techniques.

8. What advice do you have for other women?

Women are key to a household. They should therefore work hard and take part in different ventures in order to boost their homes and families. Women can be excellent entrepreneurs; they should not be afraid to give it a try!

Electine Omukule

1. Tell us a little about yourself

I am a mother to a 14 year-old daughter. I have been growing tobacco in partnership with BAT Kenya for about 10 years, currently spanning 1Ha of land.

2. Has tobacco farming been beneficial to you?

Yes it has, it provides me with a steady income for my family. From the proceeds, I have been able to raise capital to start other businesses, purchase land and travel to meet like minded people in other counties in the country.

3. Do you have any other occupation apart from tobacco farming?

Yes, I am a hair dressing & beauty therapy instructor at a vocational college. I also own a boutique, salon and cereals business. I have employed three people to help me run these businesses.

4. Are you involved in any community initiatives?

I am the secretary of a women's table banking group.

5. How do you balance your time given all the activities you are involved in?

In the morning, I have a session with my tobacco farming team where we agree on what needs to be done and I leave them to execute. I then follow up with this over the weekend. From there I proceed to teach at the vocational school and end my day supervising my other businesses.

6. What challenges have you faced as a woman in tobacco farming and how do you address them?

Apart from the usual challenges that every business goes through, we are impacted by natural calamities like drought. I am happy that BAT has facilitated farmers with crop insurance which caters for any crop losses due to harsh weather conditions.

7. What other farming activities do you undertake apart from tobacco growing?

I also plant maize, cassava and groundnuts. These are grown for domestic use to ensure food security for the family. I also have two dairy cows to provide milk for domestic use.

8. What type of innovation or technology are you utilising in your farming activities?

The BAT team has introduced various innovations which have helped increase the yield of our tobacco crop. For example, I received tobacco seedlings from the state-of-the-art central seedling unit that uses floating seedbeds. These seedlings are more vigorous and produce better quality tobacco than seedlings from conventional seedbeds.

9. What advice do you have for other women?

Well, just to encourage fellow women to be resilient and take their place in the world. Women are natural multi-taskers and can do several things at the same time.

Take advantage of this and go ahead to undertake several ventures at the same time. Do not allow yourself to be held back or limited by gender or societal stereotypes, go ahead to do your best in everything you do.

It is also important to always improve yourself, so I encourage ladies to equip themselves with skills from vocational colleges, which will allow them to start income generating activities.

Stakeholder engagement

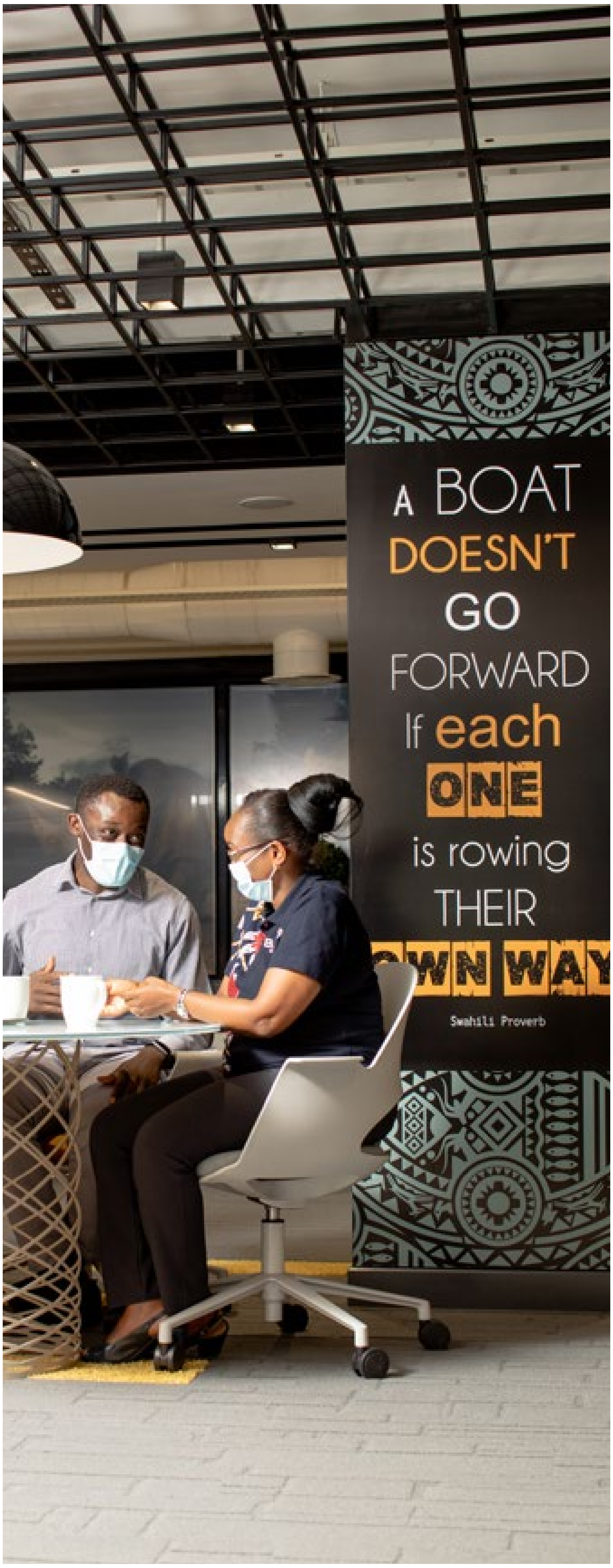
Civic participation is a fundamental aspect of responsible business and policy making. We participate in pertinent policy processes in a transparent manner, in compliance with the laws and regulations of Kenya.

	Consumers	Shareholders	Our People	Suppliers	Customers	Governments and wider society
Why this stakeholder is important to us	As preferences and attitudes change in an evolving industry, understanding our consumers is essential to delivering our strategy and purpose.	The support of our shareholders enables us to implement our strategy and achieve business objectives.	The quality of our people is a major reason why we continue to perform well. We are committed to providing a fulfilling, rewarding and responsible work environment.	Effective relationships with farmers, suppliers of product materials and indirect services are essential to an efficient, productive and secure supply chain.	Our customers include retailers, distributors and wholesalers who 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 collaborate in developing develop solutions to common challenges.
Examples of how we engaged	• Consumer care helplines • Product research	• Annual General Meeting • Investor relations • Institutional shareholder meetings • Results announcements • Annual Report • NSE announcements & activities • Shareholder information on website	• Director market and site visits • Virtual forums & employee town halls • 'Your Voice' employee survey • Training events • Individual performance reviews • Speak Up channels • Health & wellness including COVID-19 support	• Ongoing farmer support, training and monitoring by our extension services • Sustainable Tobacco Programme assessments, reviews and meetings • Supplier reviews/audits • Supplier Voice survey and dialogue • Strategic partnerships	• Credit extension programmes • Anti-Illicit trade awareness campaign • Ongoing dialogue, contract discussions and account management • Customer Voice survey - Audits and performance reviews • Sales calls and visits by trade representatives • Business-to-business programmes	• Public participation including via submissions to government and relevant committees • Alliance for Water Stewardship (AWS) audit and certification • Participation in community development projects e.g afforestation and biodiversity, community clean up.
What matters to our stakeholders	• Product harm, addiction & social considerations • Product quality • Plastics/post-consumption product waste • COVID-19 impacts • Illicit trade	• Business performance • ESG Agenda • Corporate governance • Strength of leadership • Board succession planning	• Reward • Career development • Diversity and inclusion • Corporate responsibility • Health and safety • Business ethics • COVID-19 impacts • A purposeful place to work	• Productivity/ quality/cost • Sustainable agriculture • Farmer livelihoods • Human rights • Health and safety • Climate change / environmental impacts • COVID-19 impacts	• Route-to-market • Contingency planning • Cost, price and quality • Stock availability • Consumer buying behaviour • Youth access prevention • COVID-19 impacts • Illicit trade / excise	• Product regulation • Tax/excise/illicit trade • Public health impacts • Climate change / environmental impacts • COVID-19 impacts • Illicit trade

To identify and prioritise our stakeholder groups, we use clearly defined stakeholder mapping and classification guidance which is aligned to global best practice. The table below provides an overview of our key stakeholders and related engagement activities in 2021.

	Consumers	Shareholders	Our People	Suppliers	Customers	Governments and wider society
How we respond	• Development of innovative products • Product stewardship, quality & safety standards • Clear and accurate product information • International Marketing Principles • Circular economy strategy	• Regular dialogue and communication • Robust corporate governance • Continual improvement of our Delivery with Integrity programme • Our range of innovative products • Product quality and safety standards • International Marketing Principles	• Effective communication and engagement with employees • Board review of feedback on workforce engagement • Training and development programme • Diversity & Inclusion Strategy • Delivery with Integrity programme • COVID-19 support and vaccination drive initiatives	• Supplier Code of Conduct • Thrive sustainable agriculture and farmer livelihoods programme • Leaf operational standards for PPE and child labour prevention • Farmer extension services and training • COVID-19 support and vaccination drive initiatives	• Customer loyalty programmes and incentives • Global Youth Access Prevention Guidelines • Training, capacity building and awareness campaigns • COVID-19 support and vaccination drive initiatives	• Standards of Business Conduct • Youth Access Prevention Guidelines • Community Investment
Principal risk impact	• Market size reduction / consumer downtrading • Inability to develop, commercialise and deliver New Categories • Significant excise increases	• Solvency and liquidity • Foreign exchange rate exposures • Disputed taxes, interest and penalties • Litigation • Market size reduction / consumer downtrading	• Injury, illness or death in the work place • Geopolitical tensions	• Inability to develop, commercialise and deliver New Categories	• Inability to develop, commercialise and deliver New Categories	• Inability to develop, commercialise and deliver New Categories • Significant excise increases • Significant increases in illicit trade

A Better Tomorrow™ for Employees



Driving our Talent agenda relentlessly throughout 2021

The COVID-19 pandemic continued to pressure-test our culture and talent agenda, however, the resilience, passion, energy and agility of our people stood up to the challenge as evidenced in our business performance results.

Despite a challenging year, we continued to embody our Ethos: BOLD, FAST, EMPOWERED, DIVERSE AND RESPONSIBLE - at all levels of the organisation. We received certification from the global Top Employers Institute, as a Top Employer in Kenya, Africa and the Globe, for the fourth consecutive year, coming in 2^{nd} position nationally in 2020 and 2021.

Attracting top talent

As part of our efforts to build a purposeful place to work, we continued to drive an energising and agile environment where people are empowered to deliver best quality products for our consumers and superior returns for our shareholders.

We registered 40+ new joiners in 2021, who experienced a digital self-paced on-boarding process. To enhance this, a combination of virtual and face to face sessions were held for the critical sessions (Health & Safety, Security and Information Technology). After the first 90days, another virtual session with the Head of Human Resources and a pulse survey captured first impressions and feedback on BAT's employee value proposition, with clear action points for subsequent follow through.

***#ESA** Energised, Strong & Agile Teams*

Building on the previous year, we continued efforts to build a legacy of leaders through our targeted NEXTGEN recruitment programs – Battle of Minds, Internship and Global Graduates – which were successfully deployed alongside Talent acceleration and development initiatives.

Battle of Minds 2021 – global finalists!

BAT's global graduate competition, Battle of Minds (BOM) aims to support innovation, and the development of future leaders. BOM is a unique opportunity for talented university students to pitch a commercially viable solution to societal challenges, receive mentoring from experienced leaders in the BAT Group, and compete with other students around the world for the final prize.

In 2021, out of 5,631 registrations and 662 case submissions across 25 countries, 12 finalists including a team from Kenya, participated in the virtual final round. We were extremely proud of Team GWIJI from Kenya who were named the global runners up. Their business case centered around waste reduction through recycling of cigarette butts to make innovative end products.

Elizabeth Mwangi and Samuel Njeru of GWIJI team are recent graduates of Architectural Science from the University of Nairobi. Upon completion of the BOM challenge, they received an opportunity to join BAT Kenya on an internship programme. They were also eligible to receive up to GBP 25,000 as a non-conditional investment in their proposed business case under BAT's global accelerator programme for start-ups.

Global Graduates

In 2021, we on-boarded four new Global Graduates (GGs) into our Finance, HR & Information Technology Functions. Through the twelve (12) months GG programme, these graduates are immersed into the commercial aspects of the business to develop business acumen and leadership capabilities. Subsequently, they will proceed to the BAT Academy, an orientation event in London which brings together all BAT GGs across the world to build networks, deep dive into the Group's strategy with a call to action on the important role the GGs play in the business. Our GGs completed the programme in January 2022 and will attend the BAT Academy in May. For the final 'Up or Out' phase, the GGs present a summary of their six-month deliverables, innovations and the impact to the business. After this successful stage, they are promoted into a first managerial level role, as preparation to be the next generation of senior leaders.

We launched a new digital based Assessment Centre platform for Global Graduates in which candidates interact in group and individual exercises that depict a "day-in-BAT" experience as part of the recruitment process.

2021 Global Graduates

Investing in leaders

BAT's Business and Leadership Capability Model which is aligned with our Ethos, defines what we expect from our leaders and provides the foundation for our approach to developing them. Despite a challenging environment in 2021 in which our teams were working partially remotely, we managed to deploy our 70/20/10 Learning and Development agenda on time and in full, 100% virtual, supported by our e-learning platform, the Grid*.

70	20	10
Virtual on-boarding	Coaching	Leads Self, Others, Managers
Promotions, lateral moves	Mentoring	Women in Leadership
International Assignments	Skip Level Feedback	Reward education
Cross functional projects	Buddy programme	Functional International trainings

*The Grid aims to expand and embed self-learning and training opportunities for employees. It offers high-quality online materials – Harvard content, LinkedIn learning, Ted talks etc - to develop skills and capabilities. It allows you to create a learning pathway linked to your development plan and interests, accessing content anytime, anywhere.

Highlight – Africa talent hub

In August 2021, we piloted a partnership between BAT West & Central Africa Area (WCA) and East & South Africa Area for Talent exchange in the form of a) international assignments and b) delivery in cross area projects. We are pleased to report that out of the 10 cross Area project nominees, two are BAT Kenya resources delivering in WCA projects and the feedback has been positive in terms of skills development and building networks. As we continue to develop our Talent to embrace new exciting challenges, we had a total of 24 BAT Kenya employees of which 54% are women, working for other BAT organisations abroad.

Leadership for change, diversity and inclusion

42% of our management population is female!

BAT Kenya is committed to driving an inclusive culture that respects and embraces the diversity of employees, stakeholders and society. We believe that diversity is central to our culture and business sustainability; creating a respectful and inclusive environment where people can thrive and building talented and diverse teams to drive business results.

In 2021, we reinforced our commitment to our Diversity and Inclusion (D&I) agenda, through three main strategic pillars:

Leadership Readiness	Certification and Partnership	Corporate Enablers
Sr Women in Leadership – Global training (+2 nominations in 2021)	Partnership with Kenya Business Disability Network under the Federation of Kenya Employers	Women in BAT Forum
Jr Women in Leadership– developed locally (+30 female talents)	Top Employers – 2nd place Kenya in 2021 & 2020; 4 years in a row Top employer in Africa	D&I Dashboard for monitoring
Unconscious Bias - 100% managerial population trained in 2021	The National Diversity and Inclusion Awards & Recognition - 1st runners up in the award category for most inclusive listed companies - by Daima Trust	D&I Policies Review
Diversity Talks and International Women's Day	Partnership with ANDY – people with disabilities agenda and 30% Club – fostering female in senior levels	Work environment adjustments

Our call to action

In fostering inclusivity, BAT respects and values difference and works to continuously build a supportive and engaging culture. We think of diversity and inclusion in its widest sense, as those attributes that make each one of us unique. We have made good progress in several D&I areas such as empowerment of women (with women comprising approximately 42% of our total workforce), age, cultural and social backgrounds, amongst others.

As we go into 2022, we are enhancing our focus in two key areas:

- Science, Technology, Engineering & Mathematics (STEM): we are committed to proactively collaborating with institutions of higher learning to offer our knowledge and skills in the form of mentoring continuing female STEM students. This will not only drive gender diversity and the quality of STEM students in the country, it will also feed into the talent pool for BAT's manufacturing operations in Kenya and globally.
- People with disabilities: We aim to further enhance our diversity credentials within the gender and disabilities realm. To support this ambition, we became members of the Kenya Business and Disability Network (KBDN) in 2021. By so doing, we strengthen our commitment to building a disability inclusive workplace in line with our D&I agenda, which includes a strategic goal to increase the representation of persons with disabilities in our employee population to 5% by 2025. Further, this will ensure that we truly live our Diversity Ethos and speaks to our recognition as a Top Employer. We are delighted to collaborate with the KBDN, who are a key champion of workplace inclusivity for Persons with Disabilities within the business community. We believe that this partnership will be instrumental in driving an expert approach to achieving our D&I goals at BAT and ultimately, building A Better Tomorrow™.

An empowered organisation

Women in BAT(WiB) is a self-governed global network of individuals who are passionate about diversity, engaging and championing women to realise their full potential, as part of building A Better Tomorrow™. WiB Kenya, was officially launched on 26 July 2021 during a colourful hybrid event, graced by our MD, Crispin Achola and guest speaker, Sally Kahiu, Head of Communication & Marketing at the Kenya Association of Manufacturers (KAM).

Among its key objectives, WIB aims to equip women with resources to help them navigate their professional and personal lives, through tools such as informal coaching and mentoring, professional development, networking and engagement and enhancement of opportunities to collaborate across Functions and Markets. It is also a key support vehicle for BAT Kenya's D&I agenda and will boost efforts to attract and retain top Talent and contribute to the company's ESG priorities.

The network continues to grow from strength to strength in its quest to empower women at BAT Kenya.

Women in BAT

Gender | Pay Report

Strength From diversity

Introduction

BAT as a Top Employer, is committed to championing and benchmarking best practises for its employees. We recognise that fairness, inclusion and opportunity are at the heart of this important agenda. These principles are embedded in our robust talent strategy and are a fundamental part of our organisational culture.

We want BAT to be a place where people can bring their unique differences, and we make a conscious effort to attract and retain as diverse an employee base as possible. We ensure that we create opportunities for employees to progress their careers in ways that work for them. We have put in place a system that supports this career progression and fair pay.

Our Diversity & Inclusion (D&I) agenda is brought to life through our employer value proposition (EVP) *"be the change while bringing your difference".* We walk the talk by embedding D&I in our business strategy, with accountability through internal leadership reviews and externally through our annual reporting.

We are proud that the BAT Kenya Board of Directors comprises of 36% women and is one of the most gender diverse amongst the listed entities at the Nairobi Securities Exchange. We believe that diverse and inclusive leadership, means that we are better able to understand and meet the evolving preferences of our consumers, truly innovate, and transform our business and satisfy evolving consumer needs.

As part of our commitment to transparency and in line with our diversity agenda, we report our gender pay data for 2021 below.

Compensation strategy

We have a clear Total Compensation Strategy which is designed to deliver the following objectives:

- Attract, retain and engage a diverse talent pool for competitive advantage.
- Offer reward that is externally competitive and internally equitable, as well as being commercially sustainable.
- Alignment with short-term and long-term shareholder interests.

All reward decisions are made with reference to this strategy, as we believe that pay equity is the most important aspect of our reward in order to retain our Talent. Equity is not treating everybody the same, it is differentiation supported by clear and objective criteria. As such, we strongly believe in transparency in our pay policies and decisions.

The above principles are implemented through a globally aligned, yet locally relevant framework. In practice, this means that reward at BAT is directed by global principles and guidelines that are sensitive to market specifics and legal requirements in Kenya.

BAT Kenya gender pay reporting

Gender pay gap reporting: concepts and abbreviations

- **Grades:** job positions at the same level which are combined into salary bands. BAT uses the Hay Methodology to evaluate job position gradings.
- Grade 37+ are considered senior management, Grades 34 to G36 middle management, Grades 32 and 33 coordination/supervision level; and below G32 are operational levels.
- **Average salaries:** calculation of the average current salaries referencing November 2021 payroll data.
- **Annual salary review (ASR):** annual exercise of awarding salary increases based on the employee's annual performance rating. Increases are awarded by line managers within a defined range that considers the employee's current pay within the salary band of the grade.
- **Years of service (YOS):** the total period that an employee has worked in the Company.
- **Time in Grade (TIG):** the total period an employee has worked in a job grade (salary band). Taking a 'snapshot' of this data at a point in time creates a level base for all reporting Functions. However, a snapshot may also mask the fluidity of gender pay gaps. Gender pay gaps can fluctuate month on month and across pay ranges depending on changes to headcount due to new hires and leavers. It is important to monitor gender pay gap across the year, and not just on the snapshot date as this provides the organisation a better understanding of what drives pay gaps at any given time.

a) Total population

The graph (Fig 1) shows the population of local employees across Kenya – excluding expatriates – across grades.

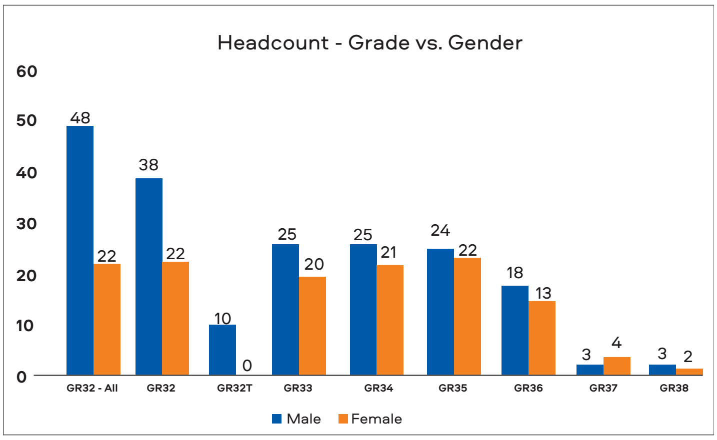


Fig 1

Highlights

- Overall, we have female representation of 42%, a slight improvement from 41% in 2020, which is a significant achievement given the challenges of COVID -19 since 2020.
- At senior management level, we are proud to report a 50:50 male/female representation. This is a significant improvement from 32% females in 2020, owing to robust internal & external Talent brand engagement initiatives.

We are committed to achieving our global 2025 Diversity & Inclusion ambition of (a) 50% female representation across the organisation and (b) 45% female representation at senior management level, which we have already surpassed.

Within our G32 level, various cadres of employees are grouped according to specific technical skills required. On the standard G32 grade operating in the factory and the commercial business, the female/male representation is almost 1:2. Whilst we encourage and actively recruit females in those grades, G32T has only male employees, which makes it one of our diversity focus areas.

- From G34 up, we have seen a significant increase of females, especially in the senior grades, which is part of our D&I ambition and journey.

Pay gap

BAT uses 'Total Pay' to recognise performance. We invest significantly in employee development to ensure that employees can perform at an optimal level and bring their uniqueness and contribution to the Business.

For each grade level, we have market-competitive pay ranges that our Talent can grow into, depending on their performance and time in grade. This growth can be accelerated by a pay increase matrix that awards higher pay increases for top performers.

The charts highlight the average time in grade (Fig.2 & 3) and the pay distribution within the grades which is impacted by YOS and ASR.

From our most recent analysis, our male population has a higher average time in grade. This means that on average, they stay longer within the same pay grade than females. Our retention of more females should contribute to a more balanced average time in role.

Note: At the G37 level, we have a strong female Talent group comprising of consistent high performers as well as external joiners with solid experience. As a result, their base salaries are 18% higher than their male peers despite having spent less time in grade.

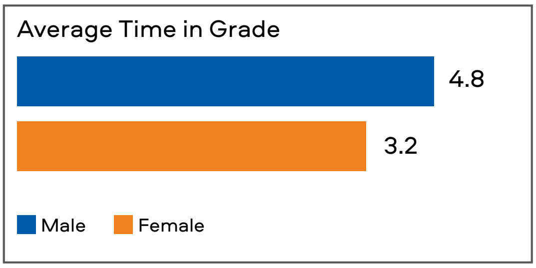


Fig 2

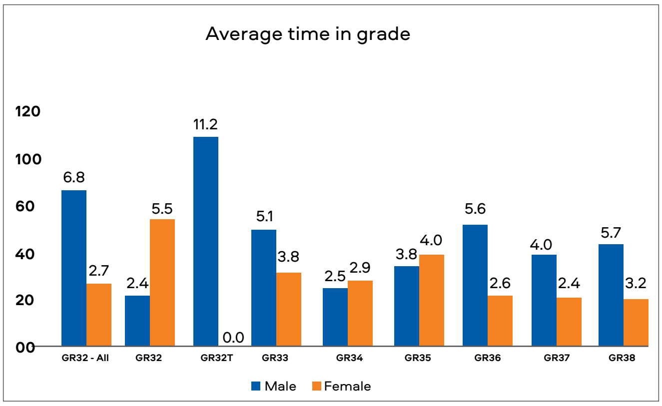


Fig 3

Taking action – progress towards our goal

In order to ensure equity in our pay, we have taken the following actions:

- Implement a D&I strategy and tactical glide path by Function, by year. We have a clear 2025 ambition with three pillars driven by leads & champions.
- Unconscious bias training. We have continued rolling out our internal unconscious bias training, which addresses how bias can impact recruitment right through to salary conversations and progression opportunities. Training all line managers reduces the potential for bias in hiring and pay decisions, as well as more generally in workplace practices.
- Creating a salary tool that helps our department heads to monitor pay equity within their teams as they can filter by gender, YOS and many other parameters. This enables them to see the potential impact of pay decisions on pay gaps.

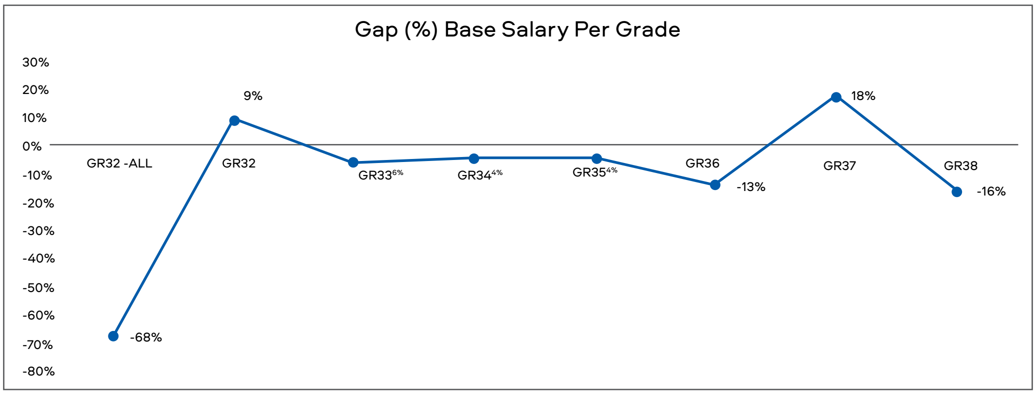


Fig. 4

- Junior Women in Leadership programme. This is a two-day workshop for junior female Talent, focusing on enhancing leadership capabilities and offering the support and coaching needed to help them progress in their careers.
- Women in BAT forum. This aims to empower women through creation of opportunities for networking and acquisition of critical skills such as self-awareness, personal branding, building confidence and empowering beliefs.
- We continue to champion flexible working across the organisation, having refreshed our flexible working policy in August 2021 to encourage better work life balance for employees.
- Creating a more agile and collaborative work environment. Our focus is on how to further enable flexible working right across our business, through the application of technology (collaborative apps, Microsoft Teams, remote access, etc).
- A significant portion of our learning and development (L&D) activities are accessed via online training modules and mobile apps. This means that our workforce can easily access L&D tools and activities regardless of their working hours or location, all of which can contribute to their progression at work.
- Student mentorship programme. Collaboration with learning institutions to better prepare young Talent for the job market, whilst building a solid pool for our entry level roles.

b) Breakdown by Function

A deep dive into each business Function within BAT Kenya

Marketing

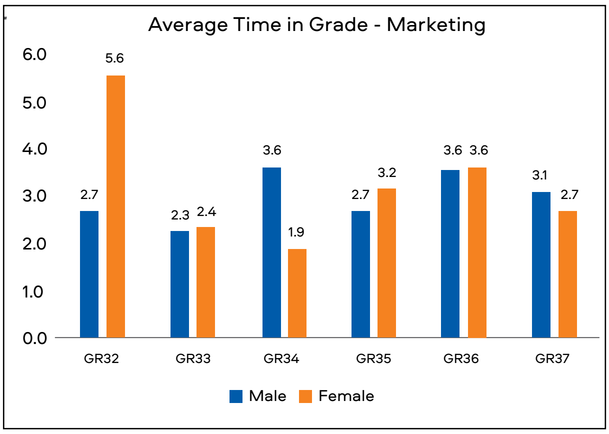


Fig. 5

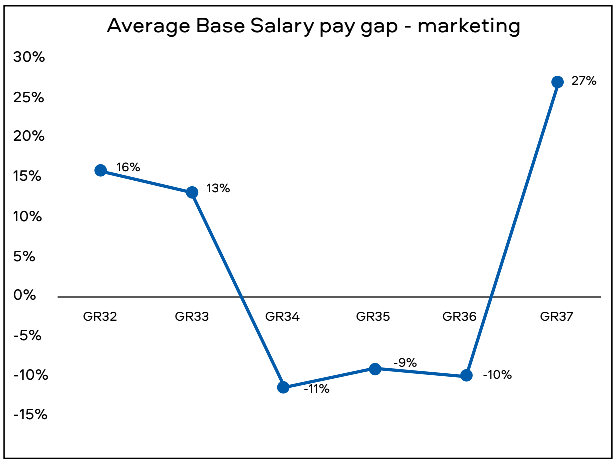


Fig. 6

HIGHLIGHTS

In Marketing, our female representation stands at 58%. This Function accounts for the largest number of females in the Company's total population. This feat was recognized by BAT Group as one of the largest in our region (Americas and Sub-Saharan Africa) to warrant an internal Diversity Award in 2019. The females' pay positioning (Fig.6) is well balanced in comparison to the male group.

Operations

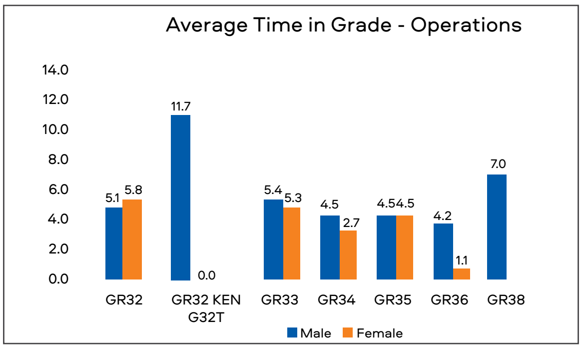


Fig. 7

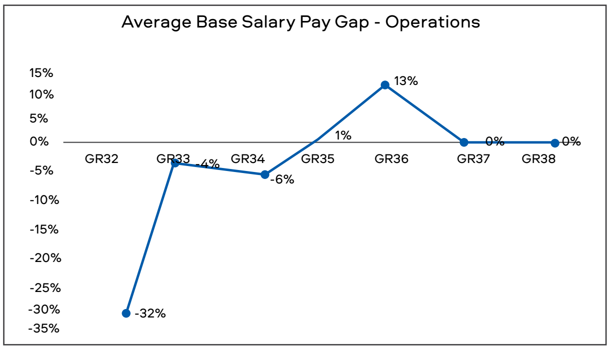


Fig. 8

HIGHLIGHTS

The picture in operations is slightly different as the population is predominantly male, influenced by factory based / union staff. However, we are proud of our efforts in retaining and hiring additional females at the middle management level (G35/36). The Operations team (G36 and below) is one of our focus areas as we need to accelerate our progress towards our 2025 D&I ambition.

Finance

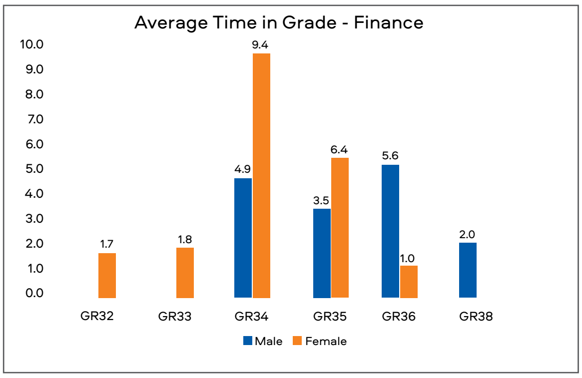


Fig. 9

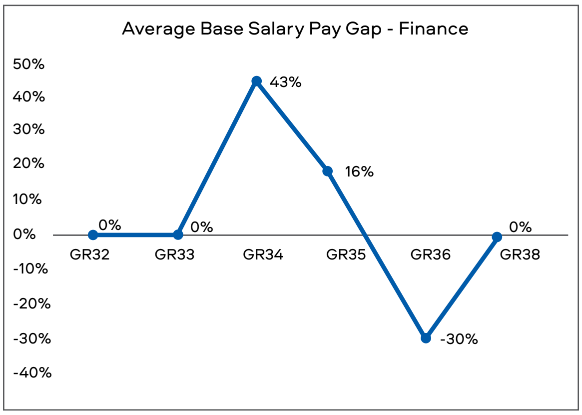


Fig. 10

HIGHLIGHTS:

Finance has 36% female representation. Most of the male individuals, especially at G35, are recent recruits into the business or recently promoted into the grade, hence still at the lower quartile of the salary band. At G34 level, where females have the highest time in grade, their salaries have progressed over time in comparison to their male colleagues. At the G36 level, the female employees are recent recruits into the business or recently promoted into the grade, hence on the lower quartile of the salary band.

Legal & External Affairs (LEX)

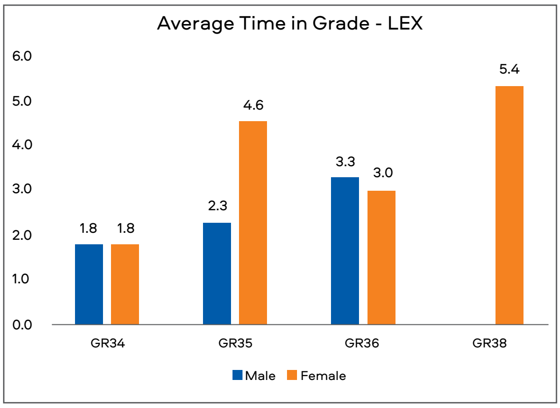


Fig. 11

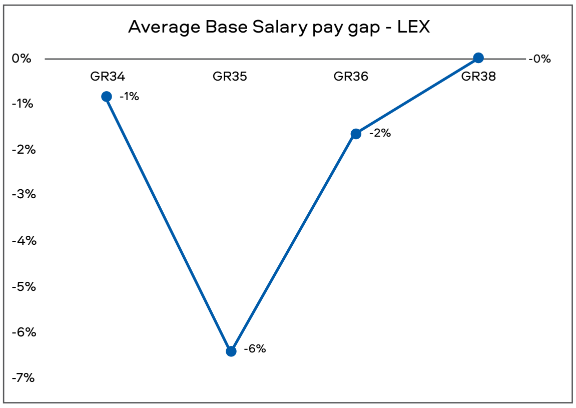


Fig. 12

HIGHLIGHTS

In LEX, we have a strong female representation standing at 10 out of 18 local employees. Although the time spent in grade is higher than that of males, the males have a slightly higher positioning of base salaries, which is mainly driven by the hiring of more experienced Talent in the Security Sub-Function.

Human Resources (HR) and Information Digital Business Solutions (DBS)

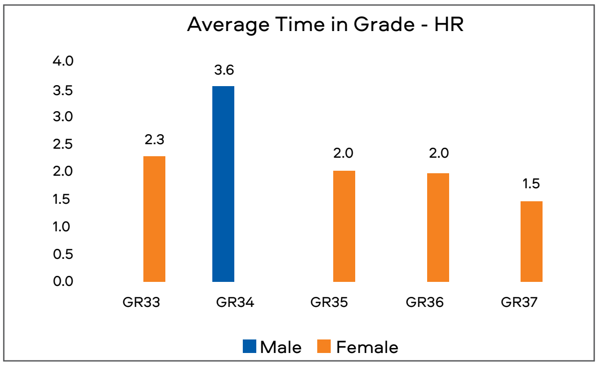


Fig. 11

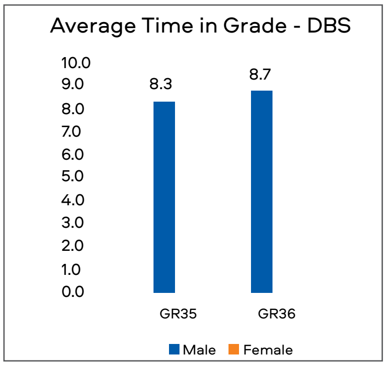


Fig. 12

HIGHLIGHTS

HR is predominantly female whilst DBS is male represented. As such the pay gap is flat. Targeted recruitment / career moves are being planned to bring more diversity into both teams.

Our Managing Director's perspective

We are committed to being a diverse and inclusive organisation. As such, understanding and improving our gender balance is an important part of this journey. Diverse teams that are representative of the world we live in are key to building high performing teams. This is not about setting quotas; it is about ensuring that BAT reflects today's talent and markets. Therefore, improving our diversity statistics across all levels of the organisation requires understanding and focus from Leadership, the Board and people managers across our business.

We think of diversity and inclusion in its widest sense, as those attributes that make each one of us unique. We have made good progress in the empowerment of women, (with women comprising approximately +40% of our total workforce), age, cultural and social backgrounds, amongst others. To accelerate this progress, we are enhancing our focus on PWDs and Gen Z Talent, through collaboration with external institutions.

We are delighted to collaborate with the Kenya Business Disabilities Network (KBDN), who are a key champion of workplace inclusivity for Persons with Disabilities within the business community. We are also collaborating with institutions of higher learning that offer Science Technology Engineering & Mathematics (STEM) courses, to offer mentorship and soft skills training to students in their pre & final year of study. This will help build the Gen Z female Talent pool for our Operations Function. We believe that these partnerships will be instrumental in driving an expert approach to achieving our D&I goals at BAT and ultimately, building A Better Tomorrow™.

Our Head of HR's perspective

Our employees are at the heart of our success. Together we continue to build an inclusive culture where difference is valued, where employees from diverse backgrounds and experiences feel that they belong, are at their best and inspired by our vision of A Better Tomorrow™.

We have developed robust strategies to support our delivery of the 2025 D&I ambition, underpinned by our Ethos of BOLD, FAST, EMPOWERED, DIVERSE, RESPONSIBLE.

Our Ethos is the thread that runs through in everything that we do as we believe it empowers our People, fosters a vibrant and rewarding workplace and promotes sustainable long-term value. Our commitment to fostering an inclusive culture and building A Great Place to Work for our people, is unwavering.

In summary

BAT Kenya continuously monitors pay gaps to ensure that there are no discrepancies and/or any type of bias within any group of employees – including gender. Thus, the Company is well positioned amongst its peers. We will continue to focus on improving our diversity and inclusion performance year on year as it is one of our key operating principles.

LEADING IN DELIVERY OF CONSUMER VALUE
THROUGH FIRST IN CLASS PREMIUM INNOVATION

WARNING: SMOKING HARMS PEOPLE NEXT TO YOU
ILANI: UVUTAJI WA TUMBAKU UNAWADHURU WALIO KARIBU NAWE

Digital | Transformation

How we are employing new technologies to optimise business processes and build a future-fit organisation.

a) Unlocking commercial value

Trade digitisation

We digitised our trader experience by leveraging digital web solutions to speed up the ordering and fulfilment process, particularly for small stores, and reduced the cost to serve. We expanded data analytics services to our distributors to drive more data-driven business decisions. To date, we have 100 active traders and 1390 more to on-board in the first quarter of 2022. This represents 10% of our trader universe using the digital web ordering platforms. We intend to expand the service to microcredit and promotions, hence improve our customers' digital experience.

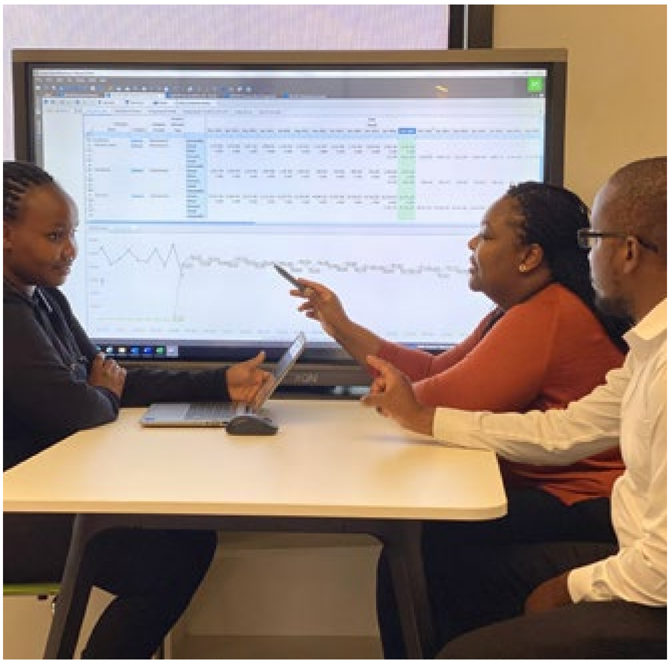
Manufacturing

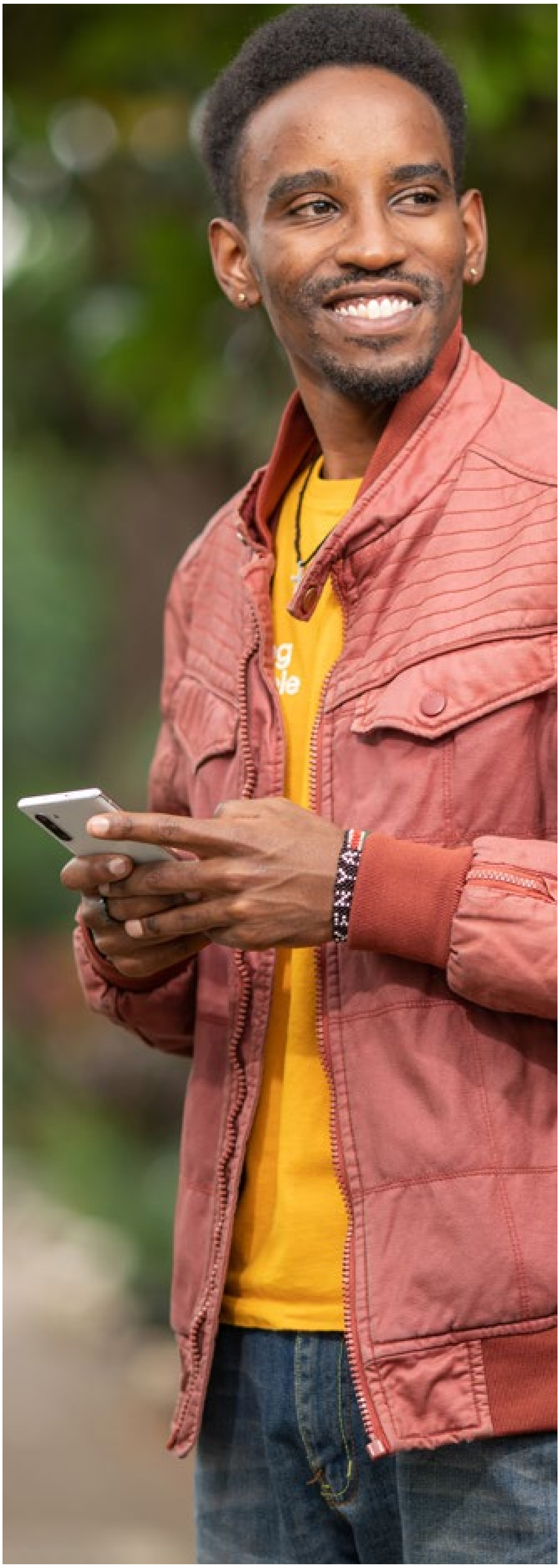
We focused on two critical deliverables for the factory team: digital transformation and optimisation of factory operations. Under the digital transformation pillar, 2021 saw the creation of digital dashboards and automation applications. This was aimed at simplifying manufacturing and safety processes, driving more data and analytics while leveraging the existing Integrated Work Systems to enhance collaboration and faster decision making. Several applications were built by the factory team and showcased at BAT's Europe Innovation week. The session attended by a factory floor member was a proud moment that demonstrated the embedding of digital transformation in a business unit.

In the optimisation space, we focused on enhancing factory security assessments and remedial measures, to ensure regularly serviced and upgraded core systems in line with OEM requirements. Our digital business services (DBS) and Operations teams formulated an effective business continuity plan (BCP) plan in close collaboration with the Business. DBS has also driven the factory team to develop new data-led solutions like the Kinaxis demand forecasting solution, with Kenya leading the way within the BAT Group.

Leaf growing operations

We have embedded the of use of digital tools where field technical officers (FTO) collect data from their assigned farmers through a mobile application. This covers farmer registration, leaf purchases and green leaf threshing warehouse activities.





b) Simplifying the Business

People and leadership

Organisational learning: Becoming a more digital organisation starts by building staff capacity in BAT's Digital DNA capabilities of Innovation, Disruptive Technologies, Data Science, Storytelling, Design Thinking, and Agility. These skills are required by the Business to impact staff, consumers and traders with compelling, delightful digital experiences that exude quality and value while engaging with BAT products and services.

In partnership with the HR department and Global Graduates, DBS has been instrumental in driving organisational learning through the external learning platforms of Degreed and LinkedIn. We have been deliberate in building talent by setting an organisational wide digital self-learning target for all staff, to invest at least 50 hours of learning. This is in chunks of 1 hour learning time per week dubbed as Learning Fridays. A total of 4000 hours in learning activities orchestrated by the DBS, HR, and GG team is a baseline established in 2021 for 2022.

Our ambition to build A Better Tomorrow™ is driven by organisational learning and is best exemplified through a quote by Eric Hoffer "In times of change, learners inherit the earth, while the learned find themselves beautifully equipped to deal with a world that no longer exists."

DBS Talent pipeline: During the period in review, DBS Kenya managed to on-board one global graduate and two interns, bringing new skills and perspectives to the team from a Millennial/Gen Z point of view. Injection of multigenerational Talent is critical for the DBS team to understand better and anticipate employee behaviours and expectations on the use of digital products and services.

In addition to acquiring Talent through the organisational Talent attraction route (HR team), DBS augments Talent through our premium support partner. DBS Kenya has integrated several team members from our support partners introducing diversity: gender, generation, and professional background. The Kenya DBS team has support teams who are:

- qualified actuarial scientists (for data science),
- engineering graduates (for automation), and
- graphic designers (for user interface, user experience design).

Combining new and existing Talent has realised several innovations and business model changes, which have been instrumental in BAT Kenya being crowned the Company of the Year in the 2021 Africa CIO awards.

Agility: We launched agile ways of working and agile practice to accelerate digital transformation and the delivery of value across the business. By focusing on adaptability, shorter value delivery cycles, and faster execution underpinned by a learning culture with experimentation, DBS has successfully embedded agile ways of working and values across various teams.

One of the most agile teams was the automation squad: a group of talented developers, data scientists, and user interface experts whose role is to deliver specific value-driving automation products faster, at a rate of one app a week. This team has been central to creating a new approach for BAT in embedding a digital transformation culture and accelerating the automation of processes.

Leadership*:* DBS has worked closely with the BAT Kenya leadership to network with industry leaders in the digital transformation space. Through this, DBS had the pleasure of hosting the Digital Transformation leader from Kimberly Clark to engage on digital transformation matters.

The session was inspiring and insightful. As DBS, we benefit from the external interaction with like-minded peers, which triggers questioning, associating, networking, and experimentation for improvement.

Further, working with the Business Communication department, DBS has expanded the impact of digital communication, using digital screens (at distributors) , mobile phones, automated solutions (recognition card systems and automated birthday reminder system), and an internal website.

In addition, DBS has successfully expanded its internal social media system (yammer and MS Teams). The outcome is more effective, personalised communication that readies BAT for future hyper-personalised engagement with stakeholders.

Innovation culture

Together with business line leadership, we enhanced the innovation culture across the business. Through challenge questions on the global BAT Tomorrow platform, we launched five innovation challenges and were proud to develop a novel approach to anti illict trade analysis, scale home grown solutions to other markets and support internal functions such as Trade, Operations, and Finance. Through the innovation platform, 20% of the employee community engages in innovation through feedback, contribution, and comments.

The DBS Kenya team has led two 'shark tanks' that have been instrumental in enhancing the employee value proposition and ideas on customer engagement and productivity.

Technology

Digital platforms: Engaging our people by expanding digital platforms and automation services, including apps that enhance the virtual meeting experience to include those working remotely and in office.

Further, because of COVID-19 restrictions, the deployment of an office planning application was mandatory to manage work from home and work from the office for all staff.

Automation and robotic process automation

To accelerate digitisation, DBS successfully deployed the Citizen Developer Program (CDP) to enhance the digital skills and mindset of all staff and simplification of existing manual processes. The CDP was established in Kenya and piloted globally with outstanding success where more than 1200 staff were trained.

The automation squad is responsible for supporting and triggering process automation and simplification with a drive to significantly contribute to the global target of 1 million hours saved, by 2025.

To date, the automation squad has delivered 400 hours saved, thus eliminating repetitive tasks, eliminating paper, and enhancing collaboration and data analytics.

For the marketing team, the squad has automated several vital reports consumed daily, not only in Kenya, but also in other end markets. DBS has positively impacted employees and customers in profound ways by driving value.

Cyber security

Over 2021, Kenya DBS collaborated with the global cyber security team to orchestrate four cyber security phishing simulations.

The tests use real life scenarios to prepare staff to address the various forms of phishing that cyber criminals use to steal personal and business information, primarily focusing on obtaining usernames and passwords. The simulations utilise curiosity, or masquerade as instructions from DBS asking the recipient to click a link or share information.

The simulations noted an increase in susceptibility, from 24% in 2020 to 30% in 2021, in the click ratio of phishing emails.

This incident growth was driven by use of more sophisticated emails in training. DBS Kenya and global teams intend to double down on a more self-based learning curriculum on cyber security to all staff whilst continuing to increase scenario complexity to better protect the business.

Key Stakeholder Outcomes

Corporate Governance Report


Bold
Diverse
Responsible

The Board

RITA KAVASHE
Chairperson

Nationality: Kenyan

Position: Independent Non-Executive Chairperson since September 2020, Chairperson of the Nominations & Governance Committee

Skills and experience: Rita is the Managing Director of Isuzu East Africa Ltd (formerly General Motors East Africa, (GMEA)), the largest motor vehicle assembler in the region selling a wide range of Isuzu vehicles. Her career with GM began in 1995 in its East African operations where she has worked for the last 26 years. She successfully transitioned the company to Isuzu East Africa in 2017. Prior to her current position, Rita held several key roles in Sales and Marketing, both in Kenya and South Africa. She has participated in GM sponsored leadership programs including the Harvard Business School Leadership Program.

Rita holds a Bachelor's degree in Education received from Moi University, and a Master's degree in Business Administration (MBA) from the University of Nairobi. She is also an Executive Coach certified by the Academy of Executive Coaches (AOEC) UK.

In 2017, Rita was awarded a state honour, the Moran of the Order of the Burning Spear (MBS), for exemplary service to the country in her capacity as a business leader.

Key Appointments: Rita is currently a member of the Advisory Council of the Kenya Private Sector Alliance (KEPSA), Advisory Board Member of the Palmhouse Foundation, a member of the Kenya Vision 2030 Delivery Board and the University of Eldoret Endowment Trust Board of Trustees. Rita is also a Non-Executive Director on the Board of Bamburi Cement PLC, which is listed on the Nairobi Securities Exchange.

CRISPIN ACHOLA
Managing Director

Nationality: Kenyan

Position: Managing Director since January 2021

Skills and experience: Prior to his appointment as Managing Director of BAT Kenya in 2020, Crispin worked for the Kimberly-Clarke Corporation where he held the position of General Manager; West, East & Central Africa (WECA) and Managing Director Nigeria.

Prior to this, he worked for BAT from 1999 through to 2017, during which he held various senior roles within BAT Kenya and the Group; including Managing Director Mozambique, Cluster General Manager-Mozambique, Zambia, Zimbabwe & Malawi, and Managing Director, Sudan. He is currently also the Cluster Director for BAT East Africa, based in Nairobi.

Key Appointments: He is currently also the General Manager for BAT East Africa based in Nairobi.

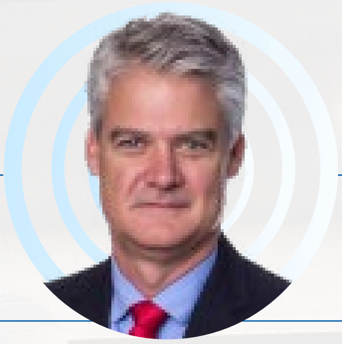
PHILEMON KIPKEMOI
Finance Director

Nationality: Kenyan

Position: Finance Director since May 2020

Skills and experience: Philemon has been with the BAT Group for 16 years. He joined BAT Kenya in 2007 from PricewaterhouseCoopers (PwC), as Internal Audit Manager. He has subsequently held various senior Finance Leadership roles within the Group, including, Finance Controller (Uganda & Big Ben Tobacco DRC), Finance Controller (East & Central Africa), Head of Operations Finance (East & Central Africa) and most recently Head of Finance (Horn of Africa & Indian Ocean Islands).

Key Appointments: He is currently also the Chair of the Board of Trustees, BAT Kenya Staff Provident Fund and Head of Finance for BAT East Africa based in Nairobi.



ANDRE JOUBERT
Non-Executive Director

Nationality: South African

Position: Non-Executive Director since May 2020, member of the Board Nominations and Governance Committee

Skills and experience: André joined the BAT Group in November 1999. He has over 21 years' experience in various senior finance and management roles, having worked as the Regional Head of Finance, BAT East Europe, Middle East & Africa; Area Director, Caucases & Central Asia; General Manager, Southern Africa Markets, among others.

André brings a wealth of experience from the tobacco, mining, banking and audit industries and across several jurisdictions, notably the United Kingdom, South Africa, Indonesia, Switzerland and Zimbabwe.

He is a licensed Chartered Accountant (South Africa), amongst other qualifications.

Key Appointments: He is the Area Director of BAT East and Southern Africa Area.

DR. MACHARIA IRUNGU
Non-Executive Director

Nationality: Kenyan

Position: Independent Non-Executive Director since July 2019, member of the Nominations and Governance Committee

Skills and experience: Dr. Irungu is the Managing Director of Kenya Pipeline Company Limited. He has over 28 years' experience in various senior management roles within the oil industry, in and outside Kenya.

He holds a Doctor of Philosophy degree in Strategic Management from The University of Nairobi and a master's degree in Business Management (Marketing) from Newport University (USA), alongside a Bachelor of Science degree in Industrial Chemistry from the University of Nairobi.

He is a member of the Institute of Directors (Kenya), Kenya Institute of Management and the American Chamber of Commerce among others.

Key Appointments: He holds Directorships at Total Kenya plc, Petroleum Institute of East Africa and is a Board Member of KAG University Council.

CAROL MUSYOKA
Non-Executive Director

Nationality: Kenyan

Position: Non-Executive Director since February 2011, member of the Audit & Risk Committee; member of the Remuneration Committee

Skills and experience: Carol is a lawyer and a banker by profession, and is the Founder and Chief Executive Officer of Carol Musyoka Consulting Limited, a corporate governance and leadership consultancy. She has several years of corporate and consulting experience, working in Kenya and the United States. Her Executive Management experience includes her previous role as Corporate Director at Barclays Bank of Kenya Ltd and Executive Director at K-Rep Bank (now Sidian Bank). She currently provides consulting and training services for various local and public listed entities, private companies and not for profit organisations. She is also a popular weekly columnist in the Business Daily.

Key Appointments: Carol is Chairperson of the Kenya Deposit Insurance Corporation and the immediate former Chairperson of the Business Registration Services. She is also a Non-Executive Director at East African Breweries PLC, Kenya Breweries Limited, UDV (Kenya) Limited, the Industrial and Commercial Development Corporation (ICDC) and an adjunct faculty at the Strathmore University Business School.

The Board *(continued)*

PETER MWANGI
Non-Executive Director

Nationality: Kenyan

Position: Independent Non-Executive Director since February 2015, Chairman of the Remuneration Committee and a member of the Nominations and Governance Committee.

Skills and experience: Peter is the immediate former Chief Executive Officer of the UAP Old Mutual Group in East Africa. Prior to this, he was the Chief Executive Officer of the Old Mutual Group in Kenya from October 2014. Previously, he served as the Chief Executive Officer of the Nairobi Securities Exchange Limited for a period of six years to September 2014 and before that, was the Chief Executive Officer of Centum Investment Company plc. He has over 21 years of proven business and leadership experience.

Peter holds a Master of Science Degree in Finance from the University of London, a Bachelor of Science degree in Electrical Engineering from the University of Nairobi and is a CFA charter holder. Peter is a member of the Institute of Certified Public Accountants of Kenya, the Institute of Certified Public Secretaries of Kenya, the Institute of Certified Investment and Financial Analysts and Kenya Institute of Management.

Key Appointments: Peter serves on the Board of Funguo Investments Ltd and Digital Opportunity Trust.

MARION GATHOGA-MWANGI
Non-Executive Director

Nationality: Kenyan

Position: Independent Non-Executive Director since May 2020, member of the Board Audit & Risk Committee

Skills and experience: Marion is an accomplished senior executive with over 21 years of local and international experience in commercial and general management predominantly in the manufacturing sector. She is currently the Director, Healthcare Business at Africa Oxygen Limited, the leading gases and engineering solutions company in Africa based in South Africa. Prior to her current role, she served as the Managing Director of BOC Kenya Plc, a gases and engineering solutions company in Kenya which is listed on the Nairobi Securities Exchange.

She has previously served as the Head of the Association of Certified Chartered Accountants (ACCA) - Kenya; as the Country Head, Groupe Lactalis – Parmalat Botswana (Pty); Country Director, Cadbury Kenya & East Africa Limited; General Manager, Unga Limited and had a long and distinguished career with Bayer East Africa.

She holds a Bachelor of Science (Honours) degree in International Business Administration from the United States International University (USIU) Kenya and is a practicing Continual Improvement (CI) Kaizen expert.

Key Appointments: Marion is a Board member of BOC Kenya Plc, a long serving Trustee of the Palmhouse Foundation (an education trust), a member of Women Corporate Directors and Women on Boards Network (WoBN) and is a Council member of Superbrands East Africa.

SAMUEL ONYANGO
Non-Executive Director

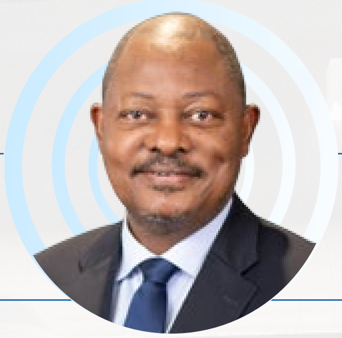
Nationality: Kenyan

Position: Independent Non-Executive Director since July 2019, member of the Board Audit and Risk Committee

Skills and experience: Samuel is the former CEO of Deloitte East Africa. He has extensive audit and advisory experience, having served for over 38 years in various audit and advisory roles. He has contributed to the development of the accounting profession in East, Central and Southern Africa through past roles; including as Chair of the Institute of Certified Public Accountants of Kenya and President of the then East, Central and Southern Africa Federation of Accountants (ECSAFA), which he also represented in the International Federation of Accountants (IFAC).

Samuel holds a Bachelor of Commerce degree, Accounting Option (First Class Honors) from the University of Nairobi. He is a Fellow of the Institute of Certified Public Accountants of Kenya (FCPA), the Institute of Chartered Accountants in England & Wales (FCA), the Institute of Certified Public Accountants of Uganda and the Institute of Certified Public Secretaries of Kenya. He is also a trained Arbitrator and Mediator at the International Law Institute, George Town University, Washington DC.

Key Appointments: He is a Non-Executive Director at Equity Bank Kenya Limited and a Director at Jadala Investments Ltd.



DR. MARTIN ODUOR-OTIENO
Non-Executive Director

Nationality: Kenyan

Position: Independent Non-Executive Director since August 2016, Chairman of the Board Audit and Risk Committee.

Skills and experience: Martin is the Founder and CEO of The Leadership Group Limited, a Nairobi-based consulting firm which is involved in facilitating Board practise and leadership training, as well as providing executive coaching and business advisory services. Prior to this, Martin worked with Deloitte East Africa as a Financial Services Partner and with KCB Group as Chief Executive Officer, among other senior private sector appointments. He has also served as Permanent Secretary, Treasury in the Government of Kenya.

He holds an honorary Doctor of Business Leadership degree from KCA University, Executive MBA from ESAMI/Maastritch School of Management and Bachelor of Commerce degree from University of Nairobi. He is also an alumnus of the Harvard Business School's Advanced Management Program. In recognition of his contribution to national development, Martin was awarded the honour of Chief of the Order of the Burning Spear (CBS) by the Head of State.

Martin is a Fellow of the Kenya Institute of Bankers, Institute of Certified Public Accountants of Kenya, Institute of Directors Kenya and Institute of Certified Public Secretaries of Kenya in addition to holding an International Coaching Federation Credential as a Professional Certified Coach (PCC).

Key Appointments: He is the Group Chairman of the Board of East African Breweries PLC, Chairman of the Board of Kenya Breweries Limited and UDV (Kenya) Limited. He is a Non-Executive Director at Standard Bank Group, Standard Bank of South Africa and GA Life Assurance Limited and a past President of the International Coaching Federation (ICF) Kenya Chapter.

KATHRYNE MAUNDU
Company Secretary

Nationality: Kenyan

Position: Company Secretary since June 2020

Skills and experience: Kathryne is a Partner at Stamford Corporate Services LLP, part of Bowmans Coulson Harney LLP. She is recognised as a leading expert in corporate governance matters, having advised leading corporates in the public and private sector for over 15 years. She is an Advocate of the High Court of Kenya, a member of the Law Society of Kenya, a registered practicing Certified Public Secretary and an Accredited Governance Auditor with the Institute of Certified Secretaries - Kenya. She has been recognised as a leader in society and named as Top 40 under 40 Women in Kenya.

Key Appointments: She is a member of the Women on Boards Network, a member of the Women Corporate Directors (Kenya Chapter) and a council member of the Institute of Certified Secretaries - Kenya (ICS).


YOU
ARE
WITH A
MOSQUITO

Leadership | Team

CRISPIN ACHOLA

Managing Director

Crispin most recently worked for the Kimberly-Clarke Corporation where he held the position of General Manager; West, East & Central Africa (WECA) and Managing Director Nigeria. Prior to this, he worked for BAT from 1999 through to 2017, during which he held various senior roles within BAT Kenya and the Group; including Managing Director Mozambique, Cluster General Manager- Mozambique, Zambia, Zimbabwe & Malawi, and Managing Director, Sudan. He is currently also the Cluster Director for BAT East Africa, based in Nairobi.

PHILEMON KIPKEMOI

Finance Director

Philemon has been with BAT Group for 16 years. He joined BAT Kenya in 2007 from PricewaterhouseCoopers (PwC), as Internal Audit Manager. He has subsequently held various senior Finance Leadership roles within the Group, including, Finance Controller (Uganda & Big Ben Tobacco DRC), Finance Controller (East & Central Africa), Head of Operations Finance (East & Central Africa) and most recently Head of Finance (Horn of Africa & Indian Ocean Islands). Philemon is also Chair of the Board of Trustees, BAT Kenya Staff Provident Fund and Head of Finance for BAT East Africa based in Nairobi.

CONNIE ANYIKA

Head of External Affairs

Connie joined BAT in 2007 and has held various senior roles in External Affairs, Government Affairs and Legal in End market, Regional and Global Roles. She worked in Kenya and East & Central Africa Area prior to her move to London in 2016 as lead counsel for Western Europe Region and thereafter as Head of Regulatory Engagement for Asia Pacific and Middle East Region based in Hong Kong. Most recently, she was Head of Global Regulatory Policy & Foresights in London. Connie is also the Head of External Affairs for BAT East Africa, based in Nairobi.

KEN GITONGA

Head of Trade

Ken has a rich mix of cross geographic and organisational experience having worked across Africa, the Americas and Europe. He re-joined BAT Kenya in April 2017 as National Sales Manager and in 2018, proceeded for an international assignment at the BAT Group office in London, UK. He took on the role of Trade Marketing Manager for the Americas and Sub-Sahara Africa region and subsequently, International Brand Manager for the Modern Oral Nicotine portfolio. In April 2021, he moved to South Africa as the Head of Activations for the East & Southern Africa Area and soon after, took on his current role in February 2022. Ken is also the Head of Trade for East African Markets, based in Nairobi.

LUCY EVARA

Head of Human Resources

Lucy joined BAT in 2009 from Shell as HR Shared Services Manager for East Africa Zone. She has subsequently held various senior roles within Business Partnering and Centres of Expertise. Prior to her current role as Head of Human Resources, Lucy was the Senior HR Business Partner for Commercial Functions in BAT West & Central Africa Area based in Lagos, Nigeria. Lucy is a Trustee of the BAT Kenya Staff Provident Fund and Head of Human Resources for BAT East Africa, based in Nairobi.

WILLIAM ELLIOTT

Head of Legal

William joined BAT in 2014 from Hogan Lovells International LLP London, taking up the role of Legal Counsel in BAT's head offices in London, UK. He brings over 13 years of legal experience; advising on complex, often international, regulatory and commercial issues; specialising in judicial review and civil litigation and counselling on administrative law and commercial human rights. Prior to his current role, he was Head of Legal and External Affairs for BAT East and Central Africa Area from 2019, and before that a Senior Counsel in BAT's Litigation and Regulation Centre of Excellence in London, UK. William is also the Head of Legal for BAT East and Southern Africa Area and a Director of BAT Tanzania Distribution Limited.

RACHEL MUCHIRI

Head of Marketing

Rachel re-joined BAT in 2012 and is a seasoned marketing executive with vast experience across various marketing disciplines including Strategic Planning & Insights, Brand Management and Trade Marketing & Distribution. She has experience in the FMCG sector spanning different markets within Sub-Saharan Africa including Egypt, DRC, Mauritius and South Africa. Rachel recently returned from a two-year assignment at the BAT East and Southern Africa Area head office in South Africa. Rachel is also the Head of Marketing for BAT East Africa, based in Nairobi.

EDGAR OKIOGA

Head of Information & Digital Technology

Edgar has more than 20 years of experience in information and digital technology. He joined BAT in 2008 as the Service Level Manager for East Africa and has held several other roles at a regional and DRBU capacity. Prior to BAT, he serves in various roles including IT Manager at UN World Food Program, IT Manager UN UNDP Somali and Geographical information specialist at UN FAO. He holds a Master of Science degree in Information Systems and a Bachelor of Science degree in Civil Engineering, both from the University of Nairobi. Edgar is the Digital DNA Lead for BAT East and Southern Africa head of IDT for BAT East Africa, based in Nairobi.

HECTOR TAMEZ PEREZ

Head of Manufacturing

Hector is a seasoned Operations professional with vast experience in Supply Chain and Manufacturing. He joined BAT Mexico in 2006 where he held several roles in Manufacturing and Supply Chain. In 2017, he was transferred to BAT South Africa as Head of Supply Chain, where he worked until joining BAT Kenya in 2020 as Head of Manufacturing, based in Nairobi.

BAT Kenya offices at Likoni Road, Industrial Area, Nairobi


INTEGRITY
committed to our business standards
am accountable for what I do
Honesty

Governance | Audit Report

The Code of Corporate Governance for Issuers of Securities to the Public, 2015 ("the Code"), requires the Board of a listed company to subject the Company to an annual Governance Audit, to check the level of compliance with sound governance practises.

The Code specifically requires the Annual Governance Audit to be conducted by a competent and recognised professional accredited for that purpose by the Institute of Certified Secretaries (ICS). In compliance with the Code, British American Tobacco Kenya plc retained Ms. Catherine Musakali of Dorion Associates ('the Auditor') to conduct a Governance Audit of the governance structures, procedures and processes of the Company in order to assure the Board that its goals, structure and operations are consistent with the law, the Code, as well as the latest developments in Corporate Governance; and that the Company has adopted best practices in Corporate Governance as a means of ensuring sustainability. The Code further requires that after undergoing the Governance Audit, the Board should provide an explicit statement on the level of compliance.

The scope of the Audit is derived from the Code, the Companies Act, 2015 and the Governance Audit Tool developed by the ICS. More specifically, the Audit covers the following broad areas;

1. Leadership and strategic management;
2. Transparency and disclosure;
3. Compliance with laws and regulations;
4. Communication with stakeholders;
5. Board independence and governance;
6. Board systems and procedures;
7. Consistent shareholder and stakeholders' value enhancement;
8. Corporate social responsibility and investment; and
9. Sustainability.

Governance Auditor's Responsibility

Our responsibility is to express an opinion on the existence and effectiveness of governance instruments, policies, structures, systems and practices in the Company, in accordance with best governance practises as envisaged within the legal and regulatory framework. We conducted our Audit in accordance with the Institute of Certified Secretaries' Governance Audit Standards and Guidelines, which conform to global standards. These standards require that we plan and perform the Governance Audit to obtain reasonable assurance on the adequacy and effectiveness of the Company's policies, systems, practices and processes. The Audit involved obtaining audit evidence on a sample basis. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a reasonable basis for our opinion.

Opinion

In our opinion, the Board has put in place a governance framework that is in compliance with the legal and regulatory corporate governance requirements and in this regard, we issue an unqualified opinion.

Catherine Musakali

FCS. Catherine Musakali, ICPSK GA. No 006
Dorion Associates

Corporate Governance Statement

Statement of Directors' responsibilities

As required by the Code therefore, the Directors commissioned a Governance Audit with the aim of ensuring that the Company has complied with the Act, the Code, and adopted best practices in Corporate Governance in order to deliver long term value to stakeholders.

The Kenya Companies Act, 2015, requires Directors to act in good faith, promote the success of the Company for the benefit of its stakeholders and avoid conflict between their personal interests and those of the Company, always acting in the best interest of the Company.

The Code of Corporate Governance for Issuers of Securities to the Public, 2015 ("the Code") requires listed companies to engage the services of an independent and accredited Governance Auditor to establish the extent to which the Board has applied Corporate Governance principles. The Code further requires that, after undergoing the Governance Audit, the Directors should provide an explicit statement on the level of compliance.

The Directors are responsible for putting in place governance structures and systems that support the practice of good governance in accordance with best practise, the requirements of the Kenya Companies Act, the Code and the Governance Audit Tool developed by the Institute of Certified Secretaries (ICS). The responsibility includes planning, designing and maintaining governance structures that ensure effective leadership and strategic management, transparency and disclosure, compliance with laws and regulations, communication with stakeholders, Board independence and governance, Board systems and procedures, consistent shareholder and stakeholders' value enhancement and corporate social responsibility and investment.

The Directors also accept responsibility for putting in place an effective and efficient Management Team and effective internal control and risk governance systems that are designed to promote good governance practice.

The Directors accept that the independent Governance Audit does not relieve them of their responsibilities.

The Directors are not aware of any material governance issues that may adversely impact the operations of the Company.

The Directors have adopted this Governance Audit report for the year ended 31 December 2021, and which discloses the state of Governance within the Company.

Adoption of the Governance Audit Report

The Governance Audit Report was adopted by the Board of Directors on the 28 day of April 2022.

Leadership and responsibilities

Overview

Corporate governance refers to the structures and processes that guide the effective, accountable and prudent leadership of the Company. The Company has put in place systems to ensure that high standards of corporate governance are maintained at all levels of the organisation.

Throughout the year ended 31 December 2021 and to the date of this document, the Company endeavoured to comply with the Capital Markets Authority (CMA) Code of Corporate Governance Practices for Issuers of Securities to the Public 2015 (the 'Code'). The Board considers that this Annual Report and notably this section, provides the information that shareholders need to evaluate how the Company has applied the principles in the Code. In addition to complying with the Code, the Company has embedded internal rules of engagement to support corporate governance. These internal guidelines are constituted in BAT's Standards of Business Conduct to which every employee, Director and supplier attest their adherence.

As a good corporate citizen, the Company complies with the Constitution of Kenya, applicable laws and regulations and is committed to maintaining high ethical and integrity standards to ensure delivery of sustainable business results.

The role of the Board

The Board is collectively responsible to its shareholders for the long-term sustainable success of the Company and for the Company's vision, strategic direction, its values, and governance. It provides the leadership necessary for the Company to meet its performance objectives within a robust framework of appropriate internal checks and controls. The Board is comprised of ten (10) Directors, eight (8) being Non- Executive Directors including the Chairperson, and two (2) Executive Directors; of the eight Non-Executive Directors, six (6) are Independent.

The key responsibilities of the Board include:

- Approving the Company's business strategy and ensuring necessary financial and human resources are in place to meet agreed objectives;
- Establishing and agreeing an appropriate governance framework;
- Reviewing the sufficiency and effectiveness of risk management and internal control systems;
- Approving the Company's performance objectives and monitoring their achievement;
- Reviewing and agreeing Board succession plans and approving Non-Executive Director appointments;
- Approving the Company's budget;
- Reviewing periodic financial and governance reports;
- Approving the Annual Report, Company results and public announcements;
- Declaring an interim dividend/recommending a final dividend;
- Approving Company Policies and monitoring compliance with the Standards of Business Conduct;
- Approving major corporate activities; and
- Ensuring that the relevant audits e.g. financial, governance or legal and compliance are conducted.

The Board has established three principal Board Committees, to which it has delegated certain responsibilities, namely: the Nominations and Governance Committee, the Audit and Risk Committee and the Remuneration Committee. The roles, membership and activities of these Committees are described in more detail later in this Report. Each Committee has its own terms of reference which are reviewed annually and updated as appropriate.

The Leadership Team

The Leadership Team led by the Managing Director is responsible for the day to day management of the Company and its operating subsidiaries. In so doing, it oversees the implementation of the strategy and policies set by the Board. Profiles of the Leadership Team are set out on pages 72 to 74 of this Annual Report.

The key responsibilities of the Leadership Team include inter alia:

- Developing Company's business strategy for approval by the Board;
- Monitoring Company operating performance;
- Developing guidelines for the Company's Functions;
- Ensuring collective effort and resources are balanced, effective and properly focused;
- Managing Functions and ensuring that Functional strategies are effective and aligned;
- Reviewing Functional budgets and activities to achieve the targets;
- Overseeing the management and development of talent within the Company; and
- Making recommendations on matters reserved for Board approval.

Division of responsibilities

The Chairperson and the Managing Director have distinct and clearly defined duties and responsibilities.

The separation of the functions of the Chairperson (an Independent Non-Executive Director) and the Managing Director (Executive Director) supports and ensures the independence of the Board and Management. The balance of power, increased accountability, clear definition of responsibilities and improved decision-making are attained through a clear distinction between the non-executive and executive roles.

The Chairperson is responsible for the leadership of the Board, for ensuring its effectiveness on all aspects of its role and for facilitating the productive contribution of all Directors. She sets the agenda for Board meetings in consultation with the Managing Director and the Company Secretary. She is also responsible for ensuring that the interests of the Company's shareholders are safeguarded and that there is effective communication with them. The Chairperson is accountable to the Board for leading the direction of the Company's corporate and financial strategy and for the overall supervision of the policies governing the conduct of the business.

The Managing Director on the other hand has overall responsibility for the performance of the Company. He provides leadership to enable successful planning and execution of the objectives and strategies agreed by the Board. He is also responsible for stewardship of the Company's assets and, jointly with the Chairperson, for representation of the Company externally.

Non-Executive Directors

The Board had eight (8) Non-Executive Directors as at 31 December 2021 and as at the date of this Annual Report. The role of the Non-Executive Directors includes: to help develop strategy, review Management's proposals, scrutinise performance of Management and the Company, bring an external perspective to the Board, monitor reporting of performance and be available to meet with major stakeholders as appropriate.

Annual Board programme

The comprehensive annual Board programme is designed to enable the Board to drive strategy forward across all the elements of the Company's business model. The Chairperson sets a carefully structured agenda for each meeting in consultation with the Managing Director and Company Secretary and as guided by the approved Board Work Plan. The key activities of the Board in 2021, grouped under the Company's four strategy pillars, are set out on pages 83 to 84.

The Chairperson seeks a consensus at Board meetings but, if necessary, decisions are taken by majority. If any Director has concerns on any issues that cannot be resolved, such concerns are noted in the Board minutes. No such concerns arose in 2021.

The Board devotes considerable attention to corporate governance matters relating to the Company's internal controls and compliance activities. It receives updates from the respective Chairs of the Audit and Risk Committee, Nominations and Governance Committee and Remuneration Committee after each Committee meeting; the Board has access to the various Committee minutes on the EBoard platform (Convene). The Board receives high quality, up-to-date Committee and Board papers for review in good time and ahead of each meeting.

The composition of the Board

The composition of the Board as at 31 December 2021 and as at the date of this Annual Report is set out on pages 66 to 69.

Below is the Board and Annual General Meetings attendance in 2021:

Member	18.02.2021	29.04.2021	12.05.2021 (AGM)	21.07.2021	24.09.2021 (Strategy Session)	03.12.2021
Rita Kavashe	✓	✓	✓	✓	✓	✓
Crispin Achola	✓	✓	✓	✓	✓	✓
Philemon Kipkemoi	✓	✓	✓	✓	✓	✓
Dr. Martin Oduor- Otieno	✓	✓	✓	✓	✓	✓
Peter Mwangi	✓	✓	✓	✓	✓	✓
Carol Musyoka	✓	✓	✓	✓	✓	✓
Samuel Onyango	✓	✓	✓	✓	✓	✓
Dr. Macharia Irungu	✓	✓	✓	✓	✓	✓
Marion Gathoga - Mwangi	✓	✓	✓	✓	✓	× - (absent with apology)
Andre Joubert	✓	✓	✓	✓	✓	✓

Board effectiveness

The effectiveness of the Board in its oversight and leadership role is enhanced by a robust support system. This is facilitated through the following:

Board diversity

The Board recognises and embraces the benefits of diversity and views increasing diversity as an essential element in maintaining a competitive advantage. Our Non-Executive Directors come from broad industry and professional backgrounds, with varied experience and expertise aligned to the needs of our business. Short biographies of the Directors, including details of nationalities, relevant skills and experience, are set out on pages 66 to 69.

Independence

Six (6) of the Non-Executive Directors are Independent as defined in the Code and accordingly a majority of the Board is constituted of Independent Directors.

Conflicts of interest

The Board has formal procedures for managing compliance with the conflict of interest provisions of the Companies Act, 2015 and the CMA Code of Corporate Governance Practices for Issuers of Securities to the Public, 2015. It may authorise situational conflicts under the Company's Articles of Association. Directors are required to give advance notice of any conflict issues to the Chairperson or Company Secretary. These are documented in the conflicts of interest register and considered at the next Board meeting.

Declaration of Conflicts of Interest is an agenda in all Board and Committee meetings prior to discussion of the substantive agenda items. Directors who have an interest in a matter are excluded from the quorum and do not vote in respect of that matter. The Director will also recuse themselves from the meeting. No material conflicts were reported by the Directors in 2021.

Director induction

On joining the Board, all new Directors receive a full induction. Non-Executive Directors also receive a full programme of briefings on all areas of the Company's business from the Executive Directors, members of the Leadership Team, the Company Secretary and other Senior Executives. The induction includes a factory tour and a market visit, where possible. No new Directors have been appointed since the date of last reporting.

Training and development

Directors receive functional presentations built into the annual Board Work Plan to gain a good sense of the Company's operations and central functions. They are also invited to attend scheduled strategic Company activities to gain insights into the Company's business.

The Board and its Committees receive regular briefings on legal and regulatory developments with focus on regulations that directly impact the operations of the Company.

The Chairperson is tasked to meet each Non-Executive Director to discuss their individual training and development plans. During the financial year under review, the Directors engaged in e-learning and/or facilitator led training on areas of governance from credible sources. Topics that were discussed included: Media and Engagement held on 17 February 2021 and 18 February 2021, Competition Laws held on 21 July 2021, Circular Economy held on 24 September 2021 and the Role of the Board in Governance and Stewardship and Sustainability held on 3 December 2021. The Board also held its Strategy session on 24 September 2021 and matters discussed included portfolio transformation, business continuity in the face of COVID-19 and challenging regulatory and fiscal environment.

During 2021, each Director was able to secure at least twelve (12) hours of training on areas of governance and regulatory compliance from the Company and other credible sources as prescribed by the CMA Code of Corporate Governance Practices for Issuers of Securities to the Public 2015.

Access to independent advice

The Board recognises that there may be occasions when one or more Directors considers it necessary to take independent advice on various matters such as legal or financial advice, at the Company's expense. This is provided for in the Board Charter.

Board evaluation

In line with the provisions of the Code of Corporate Governance Practices for Issuers of Securities to the Public, 2015, the Board undertook an annual evaluation of its performance as an entity, its committees, the Chairperson and each individual Director and the Company Secretary. This was aimed at enabling the Board and its members and the committees to gauge their performance and identify areas of improvement. The Board evaluation was conducted by Professor Kiarie Mwaura, an external independent consultant. Prof. Mwaura has no connections with the Company or its Directors other than in respect of facilitation of the Board evaluation exercise.

The findings from the Board evaluation exercise were presented to the full Board and recommendations for improvements discussed and approved at the Board meeting that was held on 28 April 2022 for implementation by the various Committees.

The evaluation established that the Board and its Committees continue to function/perform well and have sufficient balance of skills, expertise, knowledge and diversity. The wide range of skills and diverse backgrounds of members is a key strength of the Board, as is the effective leadership from the Chairperson. The Board members have a good understanding of the business and receive the information they need to make informed decisions.

In terms of the next steps, individual feedback will be given by the Chairperson to all Board members following the Board evaluation exercise. Feedback on the Chairperson's performance will be given by the longest serving Independent Director on the Board. The Managing Director and Company Secretary will receive feedback on their own performance by the Chairperson of the Nominations and Governance Committee.

Governance audit

In compliance with the CMA Code of Corporate Governance Practices for Issuers of Securities to the Public, 2015, and the Board appointed Ms. Catherine Musakali of Dorion Associates LLP to conduct the Governance Audit for the year ended 31 December 2021. The report of the Independent Governance Auditor is set out on page 77.

Legal and Compliance audit

In compliance with the CMA Code of Corporate Governance Practices for Issuers of Securities to the Public, 2015, an external Legal & Compliance Audit was carried out for the year ended 31 December 2020. An internal Legal and Compliance Audit was carried out for the year ended 31 December 2021 with the objective of establishing the extent of adherence to applicable laws, regulations and standards in order to deliver long term value to stakeholders. The Audit findings confirmed that the Company was generally in compliance with the applicable laws and regulations such as the Company's Act, 2015.

Shareholder engagement

The Company's Annual General Meeting (AGM) is an opportunity for shareholder engagement when the Chairperson and the Managing Director explain the Company's full year performance and receive questions from shareholders. The Chairs of the Audit and Risk, Nominations and Governance and Remuneration Committees are normally available at the AGM to take any relevant questions. All other Directors attend, unless illness or pressing commitments preclude them from doing so.

The Company typically holds investor briefings twice a year. This facilitates engagement with key stakeholders from the Nairobi Securities Exchange, Capital Markets Authority and various managers representing institutional and foreign investors. The Managing Director and Finance Director are among senior management members at hand at investor briefings to respond to stakeholder queries.

The Company held its AGM virtually on 12 May 2021. All resolutions that were tabled to the shareholders, were passed with a significant majority of votes. During the AGM and at the two investor briefs held in February and July 2021, shareholders and stakeholders were keen to hear more on the Company's performance and strategy in light of COVID-19 pandemic, latest developments in industry regulation, dividends payable, the Company's sustainability and ESG initiatives.

Treatment of minority shareholders

All shareholders have equal voting and transfer rights for the shares they hold. To ensure a proper understanding of the notice and motions to be voted at by the shareholders at the Annual General Meeting, the Company provides English and Kiswahili versions to cater for all shareholders. All shareholders receive the notices of the general meetings and other communications concurrently, and payment of dividends is done simultaneously and at the same rate for all shareholders.

Strategic Board activities in 2021

- Providing overall oversight to the Management team in navigating the COVID-19 impact and response strategy. This included organising vaccine uptake activations for the Company employees and their dependants.
- Managing the challenges presented by COVID-19 was a key focus area for the Board. Key for the Board was protecting its people and sustaining the business and having in place a safe return to work protocol for employees.
- Managing the challenges presented by the overarching regulatory framework in respect of excise duty.
- Fighting illicit trade.

Growth

Growth remains the Board's key strategic agenda.

Activities in 2021

- Reviewing and agreeing the Company's strategy and ensuring necessary financial and human resources are in place to meet agreed objectives;
- Satisfying itself throughout the year that Management was on track to deliver the Company's strategy, and endorsing the direction and activities proposed by Management to achieve its strategic metrics;
- Keeping the Company's trading and performance under review, particularly the performance of the Company's key local brand, Sportsman, and the Global Drive Strategic Brands;
- Reintroduction of potentially reduced risk products into the market e.g. VELO;
- Focusing on the competitive and external environment by engaging government on a sustainable excise framework and enforcement action to tackle illicit trade in cigarettes;
- Considering the potential impact on the Business of specific risk factors in consultation with the Audit and Risk Committee; and
- Discussing and improving the Board's understanding of key risks facing the Company.

Productivity

The Board pays close attention to the Company's operational efficiency, cost and capital effectiveness.

Activities in 2021

- Monitoring operational key performance indicators;
- Continued roll-out of the Integrated Work System (IWS) to drive operational excellence and quality;
- Supporting quality product developments and brand migrations such as SM and Sportsman to Rothmans which is now complete;
- Review of revenue opportunities from export products and cutrag sales;
- Continued oversight of EHS at both Nairobi and Thika factories; and
- Identifying and leveraging savings and productivity opportunities.

Sustainability

The Board is committed to operating responsibly and sustainably, to meet the expectation of stakeholders and drive the Company's commitments to society.

Activities in 2021

- Reviewing the Company's regulatory strategy in the context of the current regulatory landscape, including engagements on excise duty and illicit trade;
- Monitoring the status of the Company's litigation portfolio including receiving updates on the Company's strategic litigation;

- Environmental, Health and Safety performance across all Company sites;
- Partnering with farmers for increased revenue, sustainable crop and health insurance schemes as well as mitigating the environmental impacts of our business through afforestation;
- Employee participation in local community development; and
- Monitoring compliance with the Company's Standards of Business Conduct and internal controls.

Purposeful Organisation

Setting the 'tone from the top' is an important part of the Board's role, helping to foster a culture centred around the Company's Ethos and which harness diversity.

Activities in 2021

- Reviewing the development of senior executives in the Company, specifically activities to drive a high-performance leadership culture;
- Receiving updates on opportunities for talent export to senior roles in BAT across the globe;
- Receiving updates on the ability to attract and retain talent and factoring this into consideration in the revised talent and remuneration policies; and
- Supporting "A Better Tomorrow™" strategy

Board Committees

Nominations and Governance Committee

Current Members

1. Rita Kavashe (Chairperson)
2. Peter Mwangi
3. Dr. Macharia Irungu
4. Andre Joubert
5. Kathryne Maundu (Committee Secretary)

Attendance at meetings in 2021:

Member	17.03.2021	19.07.2021
Rita Kavashe	✓	✓
Peter Mwangi	✓	✓
Dr. Macharia Irungu	✓	✓
Kathryne Maundu (Committee Secretary)	✓	✓

* Andre Joubert was appointed to the Committee with effect from 21 July 2021.

Permanent invitees:

- Crispin Achola (Managing Director)
- Philemon Kipkemoi (Finance Director)

Mandate and role of the Nominations and Governance Committee

The mandate of the Nominations and Governance Committee is to make recommendations to the Board on the suitability of candidates for appointment to the Board. In so doing, the Committee reviews the structure, size and composition of the Board and Board committees, to ensure they have an appropriate balance of skills, expertise, knowledge and independence.

It ensures that the procedure for appointing Directors is rigorous, transparent, objective, merit-based and has regard for diversity. The process includes an evaluation of the skills and experience being sought prior to recruitment. The selection process will generally involve interviews with prospective candidates by the Chairperson and committee members. In so doing, the committee monitors and ensures that appropriate Non-Executive and Executive Directors ratios are maintained.

The committee is also charged with the responsibility of evaluating and reporting to the Board on an annual basis, the effectiveness and performance of the Board and the Directors in the discharge of their responsibilities.

Key Nominations and Governance Committee activities in 2021

- Reviewing succession planning for the Board and the Leadership Team including appointment of emergency alternates for the following key Board roles: Board Chairperson, Board Committee Chairs and Company Secretary;
- Directors' annual appointment and re-election at the AGM including renewal of the appointment of Rita Kavashe, Crispin Achola, Peter Mwangi, Andre Joubert and Dr. Martin Oduor-Otieno;
- Reviewing the effectiveness of the Board and its Committees following the Board Evaluation exercise and making recommendations to the Board on actions to be adopted towards improvement;
- Assessment and confirmation of the current adequacy of the Board with respect to the balance of skills, expertise, knowledge, age and diversity including gender and nationality;
- Assessment of Directors' independence and submitting a report to the Board on Directors' independence;
- Reviewing the Corporate Governance report;
- Oversight of CMA Corporate Governance Compliance Reporting requirements; and,
- Review of the Nominations and Governance Committee's Terms of Reference.

Terms of appointment to the Board

The Non-Executive Directors have letters of appointment for an initial term of two (2) years. Letters of appointment are renewable after the initial two (2) years as per the Board's policy on tenure and upon recommendation by the Nominations and Governance Committee. The Board takes into account the need for it to refresh its membership progressively over time.

Executive Directors appointments to the Board are managed in line with their contracts of employment with the Company. As approved by the shareholders at the 2021 AGM, the executive Directors will not be subject to retirement by rotation.

Re-election of Directors

In accordance with the Articles of Association of the Company, all Non-Executive Directors offer themselves for re-election at regular intervals, subject to continued satisfactory performance and commitment. All new appointments to the Board (except for Executive Directors) are subject to election by shareholders at the first Annual General Meeting after their appointment.

At the Company's AGM on 24 May 2022, the Company will submit the following eligible Directors for re-election: Samuel Onyango, Dr. Macharia Irungu and Marion Gathoga-Mwangi. The Nominations and Governance Committee confirms that the performance of the Directors being proposed for re-election continues to be effective and that they continue to demonstrate commitment to their roles including commitment of the necessary time for Board and committee meetings and other duties.

Audit and Risk Committee

Current Members

1. Dr. Martin Oduor-Otieno (Chairperson)
2. Carol Musyoka
3. Samuel Onyango
4. Marion Gathoga-Mwangi
5. Kathryne Maundu (Committee Secretary)

Attendance at meetings in 2021:

Name	17.02.2021	20.07.2021	22.11.2021
Dr. Martin Oduor-Otieno	✓	✓	✓
Carol Musyoka	✓	✓	✓
Samuel Onyango	✓	✓	✓
Marion Gathoga-Mwangi	✓	✓	✓
Kathryne Maundu (Committee Secretary)	✓	✓	✓

Permanent invitees:

- Crispin Achola (Managing Director)
- Philemon Kipkemoi (Finance Director)
- William Elliott (Head of Legal)
- Connie Anyika (Head of External Affairs)
- Aurelian Panfile (Internal Auditor)

Mandate and role of the Audit and Risk Committee

The Audit and Risk Committee is primarily responsible for ensuring that the Company has proper and satisfactory internal operating control systems to identify and contain business risks and that the Company's business is conducted in an appropriate, economically sound, sustainable and ethical manner. The Audit and Risk Committee monitors the integrity of the Financial Statements and any formal announcements relating to the Company's performance; reviews the consistency of the accounting policies and systems applied by the Company and, when appropriate, makes recommendations to the Board on business risks, internal controls and compliance.

The Committee is also responsible for monitoring compliance with the Company's Standards of Business Conduct, applicable laws and regulations and monitoring and reviewing the performance, effectiveness, independence and objectivity of the Company's external auditors. The Audit and Risk Committee makes recommendations as to the external Auditor's reappointment/change, terms of engagement and the level of audit fees payable to them. The Audit and Risk Committee has established and maintains an appropriate and transparent relationship with the external auditor who attends each meeting and is heard on any matter raised.

The Committee is also responsible for monitoring and reviewing the effectiveness of the internal audit function. The Internal Audit Manager is a permanent invitee to the Committee and presents a report on the audit plan for the year and updates on ongoing and completed audits.

In line with the Code of Corporate Governance for Issuers of Securities to the Public 2015, the Audit and Risk Committee is comprised of at least three (3) independent and Non-Executive Directors. It is chaired by an Independent Non-Executive Director with at least one (1) committee member holding a professional qualification in audit or accounting and in good standing with a relevant professional body.

Key Audit and Risk Committee activities in 2021

The following items were considered by the committee:

- The Company's 2020 full year and 2021 half year financial results;
- The external auditor's report and 2021 external auditor's work plan;
- Progress on the 2021 internal audit plan and proposed 2022 internal audit plan;
- Updates from the Internal Audit Manager on both local and global process audits, the Management responses and plans being put in place to address any concerns raised;
- Updates on the quarterly risk heat map, including deep dives into specific risk topics;
- Quarterly reports on security risks, frauds and any resultant losses;
- Updates on regulatory developments, corporate social investment matters, significant legal cases, and Environment, Health and Safety issues;
- Reports on compliance with the Company's Standards of Business Conduct, any whistleblowing received and investigations into potential breaches;
- Training of members on data protection, emerging technologies, controls at BAT and relevant requirements from the United States Sarbanes-Oxley Act of 2002;
- Annual review of the external auditor's effectiveness and independence;
- Finance Director's Reports which include a review of unclaimed financial assets;
- Progress of actions arising from the 2020 Legal and Compliance Audit;
- Progress of actions arising from the 2019 Governance Audit;
- Reviewing and assessing compliance with the CMA Corporate Governance Practices for Issuers of Securities to the Public, 2015; and
- Review of its Terms of Reference to be in line with best practice.

Financial and business reporting

The Board is satisfied that it has met its obligation to present a balanced and understandable assessment of the Company's position throughout the Annual Report. It is appropriate to treat this business as a going concern as there is enough existing financing available to meet expected requirements in the foreseeable future.

The Audit and Risk Committee is assigned to review financial, audit and internal control issues in supporting the Board of Directors which is responsible for the Financial Statements and all information in the Annual Report.

Risk management and internal control

The Board is responsible for determining the nature and extent of the significant risks that the Company is willing to take to achieve its strategic objectives and for maintaining sound risk management and internal control systems. With the support of the Audit and Risk Committee, the Board carries out a review of the effectiveness of its risk management and internal control systems annually, covering all material controls including financial, operational and compliance controls.

The Committee uses risk registers to identify, assess and monitor the key risks (both financial and non-financial) that the Business faces. Information on prevailing trends is provided in relation to each risk and all identified risks are assessed at three levels (high/medium/low) by reference to their impact to the business and likelihood of occurring. Mitigation plans are put in place to manage the risks identified and the risk registers are reviewed on a regular basis and at each Audit and Risk Committee meeting.

In compliance with BAT Group best practice in risk management, the Company also completes a checklist annually known as the Control Navigator. The Control Navigator tool enables a self-assessment into the internal control environment, assist in identifying any controls which require strengthening and set out monitoring action plans to address the control weaknesses. The checklist is reviewed annually to ensure that it remains relevant to the business and covers all applicable key controls.

The Board, with the advice from the Audit and Risk Committee, has completed its annual review of the effectiveness of the risk management framework and internal controls for the period since 1 January 2021. No significant failings or weaknesses were identified, and the Board is satisfied that, where specific areas for improvement have been identified, processes are in place to ensure that the necessary remedial action is taken and that progress is monitored.

External auditor

KPMG Kenya is the Company's external auditor. The Audit and Risk Committee considers that its relationship with the auditor worked well during the period and was satisfied with their effectiveness. The external auditor is required to rotate the audit partner responsible for the Company's audit at least every five years. The current lead audit partner has been in position since 24 June 2020.

Standards of Business Conduct

The BAT Standards of Business Conduct (SoBC) express the high standards of integrity that BAT Kenya is committed to upholding. Every employee and member of the Board is required to live up to the Standards of Business Conduct and each annually signs a declaration confirming their compliance with the SoBC. Guidance on compliance is provided through training and awareness programmes.

The SoBC also sets out the BAT Group's whistleblowing policy, which enables employees, Directors and third parties, to raise concerns in confidence and without fear of reprisal, about possible improprieties in financial and other matters. All whistleblowing incidents are tabled at the Audit and Risk Committee and procedures implemented to ensure independent investigation and appropriate follow-up actions.

The Standards of Business Conduct and reporting hotline are available on www.batkenya.com

Remuneration Committee

Current members

Permanent invitee:

- Kathryne Maundu – Company Secretary

The following changes to the Committee composition occurred in 2021:

NAME	04.02.2021	15.09.2021
Peter Mwangi	✓	✓
Carol Musyoka	✓	✓
Crispin Achola*	✓	✓
Philemon Kipkemoi	✓	✓
Diana Johnson	✓	✓
Lucy Evara (Committee Secretary)**	✓	✓

*Crispin Achola was appointed to the Committee on 1 January 2021.

**Lucy Evara replaced Diana Johnson as the Committee Secretary effective 21 July 2021.

Mandate of the Remuneration Committee

The Remuneration Committee considers the remuneration policy annually for employees, Executive and Non-Executive Directors. The Committee ensures that the remuneration policy is in line with business needs, is performance-driven and appropriately benchmarked against other peer companies in Kenya.

The Remuneration Committee is responsible for:

- Ensuring that all aspects of the Company's remuneration offering are sufficiently competitive to attract and retain the desired talent pool, comply with the BAT Group's reward policy and reflect the Company as an employer of choice;
- Setting executive remuneration policies covering salary and benefits, performance-based variable rewards, pensions, and the terms of service contracts;
- Determining, within the terms of the agreed remuneration policy the specific remuneration packages for the Chairperson, the Executive Directors and the Non-Executive Directors, both on appointment and on review;
- The setting of targets applicable to the Company's performance-based variable reward schemes and determining achievement against those targets, exercising discretion where appropriate and as provided by the applicable scheme rules and policy; and
- Monitoring and advising the Board on any major changes to the policy on employee benefit structures for the Company.

The Committee had two meetings in the year under review and the following were the key matters that were discussed:

- Salary reviews and pay strategy
- Salary ad hoc and turnover analysis for Kenya
- CBA negotiations
- HR strategy and people plans
- Board remuneration review
- Review of the Terms of Reference of the Committee

Governance Policies

Board Charter

The BAT Kenya Board is governed by a Board Charter, which stipulates the roles and responsibilities of the Board and its members, the composition of the Board and its committees, and their respective Terms of Reference. The Board Charter is reviewed annually to ensure that it remains current. The Board Charter and Terms of Reference can be accessed at www.batkenya.com

Statement on Insider Dealing

As a listed company, BAT Kenya is obliged under the Companies Act, 2015 to require that the Directors and certain other employees with inside information do not abuse or place themselves under suspicion of abusing insider information that they may have or be thought to have. This is especially so in periods leading up to an announcement of financial results. To this end, the Company has a Code of Share Dealing policy document, which sets out the requirements for BAT Kenya insiders, in dealing in shares of the Company. To ensure compliance with the Companies Act, 2015, in this regard, the Company communicates 'open' and 'closed' periods for trading in its shares to its employees and the Directors twice annually. To the best of the Company's knowledge, there was no insider dealing in the BAT Kenya 2021 financial year.

Whistleblowing (or Speak-up) Policy

BAT Kenya's Standards of Business Conduct (SoBC) is a statement of the Company's values in its day-to-day activities. This policy covers BAT Kenya's commitments on issues such as bribery, corruption and human rights, in addition to setting out the Company's whistleblowing procedures.

The Whistleblowing Policy provides the platform for employees to raise concerns in respect of any suspected wrongdoing, and the policy details how such concerns will be addressed. The Board ensures that risks arising from any ethical issues are identified and managed in the risk management process.

Management reports on any unethical concerns raised by employees and third parties to the Board Audit & Risk Committee where the concerns are discussed in detail and a report given at the next Board meeting. In 2021, a total of four (4) concerns were raised relating to protection of corporate assets (3) and bribery and corruption by a BAT contractor. Of the four concerns, three were unsubstantiated and one was substantiated, and disciplinary action taken accordingly. The Company also reported to the Ethics and Anti-Corruption Commission (EACC) on an allegation of bribery against an employee of a BAT third party media/PR agency.

Dispute Resolution Policy

BAT Kenya is committed to reaching prompt and fair resolution of disputes, conflicts or disagreement that may arise from time to time. The Dispute Resolution Policy provides guidance on management of disputes and is intended to contribute to effective dispute resolution for the Company whilst maintaining the relationship with its stakeholders.

Data Protection Policy

BAT Kenya acknowledges that personal data is a key asset for any Company. In recognising its role in the collection, use and management of personal data, the Board has in place the Data Protection Policy which provides guidance to employees and the general public on the below matters:

- Compliance with local legislation and international laws and regulations on data protection.
- Protection of the rights of data subjects (employees, business partners, customers).
- Transparency in collection, processing and storing of people's data.

The Board approved the Policy in December 2021 on recommendation of the Audit & Risk Committee. The Policy is available on the Company website www.batkenya.com.

Information Technology Policy

BAT Kenya invests heavily in information technology systems, to support the delivery of the Company's commercial goals. BAT Kenya's information technology (IT) systems are covered under an IT policy which aims to protect the Company's investment in information technology infrastructure (including IT equipment, mobile facilities, data/ telecommunications networks and software) and maintain the highest standards of cyber security, while protecting the Company's confidential and sensitive information.

The policy aims to facilitate ease of use of IT systems by staff, business partners and other stakeholders while mandating the responsible use of IT systems. In delivering on its objectives, BAT Kenya leverages on IT expertise within the BAT Group, taking learnings from economies of scale in purchase of IT equipment and services.

Procurement Policy

BAT Kenya maintains a procurement policy that governs the procurement of goods and services within the Company. This policy and the related procedures are necessary to ensure that business procurement can generate value by satisfying the needs of the business with respect to service and cost associated with acquisition of goods and services, (except for tobacco), salaries and strategic machinery.

The policy also ensures that the most appropriate and effective controls are applied in the purchase of goods and services for the Company's needs. The Company periodically reviews this policy as may be necessitated by market conditions, legal requirements or other factors.

Environmental, Health and Safety Policies

The Board is committed to ensuring that the Company operates responsibly, sustainably, ethically and as a good corporate citizen. In that regard, BAT Kenya has robust Environmental Health and Safety policies aimed at providing a safe and healthy working environment for its employees and any other person within the Company's sphere of operations.

The Company also maintains an Energy Management Policy, aimed at achieving the highest practicable levels of energy conservation and reducing CO_2 emissions, for the conservation of the environment and the sustainability of natural resources.

Corporate Social Investment (CSI) and Responsibility

The Company has a comprehensive and effective Corporate Social Investment (CSI) and Responsibility framework underpinned by five core beliefs:

1. Creating long-term shareholder value;
2. Engaging constructively with our stakeholders;
3. Creating inspiring working environments for our people;
4. Adding value to the communities in which we operate; and that
5. Suppliers, and other business partners should have the opportunity to benefit from their relationship with the Company.

The CSI strategy is derived from our belief in adding value to the communities in which we operate. Our CSI framework focuses on sustainable agriculture and environmental conservation. As such at least 70% of our CSI spend is driven towards this pillar (currently focusing on afforestation and biodiversity), while 30% is allocated to other relevant initiatives.

Principles of Engagement

We are committed to corporate transparency and recognise that as a responsible company, all engagement activities that we undertake must be guided by internal standards. All employees are required to act in accordance with the Principles for Engagement. BAT Kenya does engage with third parties on policy issues but will never ask a third party to conduct itself in any way that contravenes these 'Principles for Engagement'.

These policies are accessible at www.batkenya.com.

A Better Tomorrow™ for shareholders

REPORTS & FINANCIAL STATEMENTS

Directors' Report

The Directors submit their report together with the annual audited Financial Statements for the year ended 31 December 2021, which disclose the state of affairs of the Group and of the Company.

Principal activities

The principal activities of the Group are the manufacture and sale of cigarettes and tobacco.

Results and dividend

The net profit for the year of KSh 6,483,380,000 (2020: KSh 5,517,492,000) has been added to retained earnings. During the year an interim dividend of KSh 350,000,000 (2020: KSh 350,000,000) was paid. The Directors recommend the approval of a final dividend of KSh 5,000,000,00 (2020: KSh 4,150,000,000).

Directors

The Directors who held office during the year and to the date of this report are set out on page 6.

There were no changes to the Board composition in 2021.

Business overview

Financial performance

Gross revenue increased by 3% to KSh 40 billion. This was primarily driven by pricing benefit in the domestic market. This revenue growth was marginally reduced by lower export sales, attributable to slower economic recovery in some of our key markets.

The growth in gross revenue was offset by a KSh 1.1 billion (8%) increase in Excise Duty and Value Added Tax (VAT), following inflationary increases in excise duty rates and VAT rate changes. Consequently, net revenue increased marginally by 0.4% to KSh 25.4 billion.

Profit After tax improved by 18% to KSh 6.5 billion driven by the increase in net revenue, effective cost management and offset by higher corporation tax in line with rate changes. The growth in profitability is reflected in higher earnings per share (+18%), aligned to our commitment to deliver sustainable shareholder value.

During the year, a property valuation exercise was done in line with the Company's accounting policy, resulting in a gain of KSh 1.2 billion in other comprehensive income net of tax impact.

Contribution to Government revenues

Taxes in the form of Excise Duty, VAT, Pay As You Earn (PAYE) and Corporation Tax increased by KSh 2 billion (13%) to KSh 18 billion as a result of the inflationary increase in excise duty rates, as well as the VAT and Corporation Tax rate changes effected in January 2021.

Auditor

The auditor, KPMG Kenya, is eligible and hereby offer themselves for re-appointment in accordance with the requirements of Section 721 the Kenyan Companies Act, 2015.

Relevant audit information

The Directors in office at the date of this report confirm that:

- There is no relevant audit information of which the Company's auditor is unaware; and
- Each Director has taken all the steps that he or she ought to have taken as a director so as to be aware of any relevant audit information and to establish that the Company's auditor is aware of that information.

Approval of the Financial Statements

The Financial Statements set out on pages 102 to 152 were approved and authorised at a meeting of the Directors held on 17 February 2022.

By order of the Board

Kathryne Maundu
Company Secretary

17 February 2022

Ripoti Ya Wakurugenzi

Wakurugenzi wanaotoa ripoti pamoja na taarifa ya fedha zilizofanyiwa ukaguzi katika mwaka unaoisha Disemba tarehe 31 2021, inayoonyesha hali ya mambo ya kampuni na kundi kwa jumla.

Matukio makuu

Matukio makuu ya kundi ni kutengeneza na kuuza sigara na tumbaku.

Matukio na gawio

Faida halisi ya mwaka ya shilingi 6,483,380,000 (2020: shilingi 5,517,492,000) imeongezwa kwa mapato yaliyosalia. Katika mwaka huu gawio la awali la shilingi 350,000,000 (2020: shilingi 350,000,00) lililipwa. Wakurugenzi wanapendekeza idhini ya gawio la mwisho la shilingi 5,000,000,000 (2020: KSh. 4,150,000,000)

Wakurugenzi

Wakurugenzi waliokuwa afisini katika mwaka hadi mwisho wa ripoti hii wameonyeshwa katika ukurasa wa 6.

Hakukuwa mabadiliko katika bodi katika mwaka wa 2021.

Muhtasari wa biashara

Matokeo ya kifedha

Mapato ya jumla yaliyoongezeka kwa asilimia 3 (3%) hadi shilingi bilioni 40. Hii ilitokana hasa na faida ya bei katika soko la ndani. Mapato yalishuka kwa kiwango kutokana na kiwango cha chini cha mauzo ya nje yaliotokana na baadhi ya masoko yetu makuu kukua kwa kiwango cha chini. Kukua kwa mapato ya jumla kulichangiwa na ongezeko la ushuru wa bidhaa na kodi ya thamani ya ziada ya Shilingi bilioni 1.1 (asilimia 8) kutokana na mabadiliko ya viwango vya kodi ya thamani ya ziada.Kwa sababu hiyo, mapato halisi yaliongezeka kwa kiwango kidogo cha asilimia 0.4 hadi shilingi bilioni 25.4.

Faida baada ya ushuru iliongezeka kwa asilimia 18 hadi shilingi bilioni 6.5 kutokana na ongezeko la mapato halisi, usimamizi bora wa gharama na kudhibitiwa na kodi ya juu ya shirika kulingana na mabadiliko yalowekwa. Kukua kwa faida kumeonekana katika ongezeko la mapato kwa kila hisa (+ 18%), kunakubaliana na kutoa kiwango bora cha thamani ya mwenye hisa.

Katika mwaka huu, shughuli ya kuthamini mali ilifanyika kwa mujibu wa sera ya uhasibu wa kampuni na kuchangia ongenezeko la shilingi bilioni 1.2 kutokana mapato mengine makuu ya athari za ushuru.

Mchango kwa mapato ya serikali

Kodi kwa njia ya kodi ya bidhaa, mapato, kodi ya thamani ya bidhaa, kodi ya kadri ya mapato na kodi ya shirika ziliongezeka kwa shilingi bilioni 2 (13%) hadi shilingi bilioni 18 kutokana na ongezeko la kimfumuko la kodi ya bidhaa, pamoja na mabadiliko ya kodi ya thamani ya ziada na kodi ya shirika yaliyoletwa mnamo Januari 2021.

Mkaguzi

Kampuni ya ukaguzi, KMPG Kenya inaruhusiwa na inajitolea kuteuliwa tena kwa mujibu wa matarajio ya kifungu 721 cha sheria za kampuni za Kenya mwaka 2015.

Ujumbe unaostahili wa ukaguzi

Wakurugenzi waliokuwa katika afisi wakati na tarehe ya ripoti hii wanathibitisha kuwa :

- Hakuna ujumbe wa ukaguzi ambao mkaguzi wa kampuni hana habari; na
- Kila mkurugenzi amechukua hatua zote ambazo alifaa kuchukua kama mkurugenzi ili kutambua ujumbe wowote muhimu wa ukaguzi na kuthibitisha kuwa mkaguzi wa kampuni anafahamu habari hizo.

Kuidhinishwa kwa taarifa za kifedha

Taarifa za kifedha katika kurasa 102 hadi 152 zilithibitishwa na kuidhinishwa katika mkutano wa wakurugenzi uliofanyika tarehe

Kwa amri ya Bodi

Kathryne Maundu
Katibu wa Kampuni

17 Februari 2022

Directors' Remuneration Report

Information not subject to audit

Our Remuneration Policy 2021

The Remuneration Policy and Remuneration Report for the Executive Directors and the Non-Executive Directors applicable in 2021 were approved by shareholders at the 2021 Annual General Meeting held on 12 May 2021. The report has been prepared in accordance with the relevant provisions of both the Capital Markets Authority Code of Corporate Governance guidelines on Directors' remuneration and the Kenyan Companies Act, 2015.

Our Principles of Remuneration

The Group and Company's Remuneration Principles seek to reward the delivery of the Group's strategy in a simple and straightforward manner which is aligned to shareholders' long-term sustainable interests. The remuneration structure is designed to recognise the skills and experience of the Directors and ensure a market competitiveness for talent.

Executive Directors

Executive Directors' remuneration comprises fixed and variable elements. The fixed elements comprise base salary, pension and other benefits. The variable elements are provided to Executive Directors and Senior managers via two performance-based incentive schemes, a single cash and share incentive annual bonus plan and a single long-term incentive scheme.

We have summarised the key elements below to facilitate the understanding of the Directors' Remuneration Report.

The table below summarized the main elements of the remuneration packages of the Executive Directors as compensation for their role as key management within the BAT Group.

Reward	Purpose and link to strategy	Mechanics of reward	Performance metrics
Basic Salary	Attract and retain high calibre individuals to deliver the Company's strategic plans by offering market competitive remuneration to reflect an individual's skills and experience.	• Paid in 12 equal monthly instalments during the year and is pensionable. • Reviewed annually with salary changes effective from April depending on performance	Individual and business performance
Pension	Provide competitive post-retirement benefit arrangements so as to attract and retain high calibre talent to drive delivery of Group strategy.	Annual contribution up to the 35% of base salary for International Assignees and 9% of base salary for local staff.	None
Other benefits	Provide market competitive benefits which: • facilitate the attraction and retention of high calibre talent to deliver the Group's strategic plans; and • recognise that such talent is global in source and that the availability of certain benefits are key enablers for attraction and retention.	Range of benefits include: • Car allowance • Driver and domestic allowance • Medical insurance • Personal life and accident insurance • Security • Education allowances For international assignees additional benefits include: • Travel allowance • Housing allowance • Relocation expense • Tax advice and • Tax equalization payments	None

Directors' Remuneration Report (continued)

Information not subject to audit (continued)

Reward	Purpose and link to strategy	Mechanics of reward	Performance metrics
Short term Incentives	Incentivise the attainment of corporate targets aligned to the strategic objectives of the Group on an annual basis.	• Targets are set annually based on the group and company business plans. • Payout is done annually in March after measurements and approval of results. • 60% of the bonus is paid in cash, 40% is awarded as shares in the Parent Company (British American Tobacco plc) • Bonus ranges from 0-100% of annual Salary for Managing Director, 0-90% for Finance Director	• Value share growth- 10% (2020: 10%) • Strategic Portfolio Revenue -30% (2020: 30%) • New Categories Revenue consolidated under Strategic portfolio revenue • Adjusted Profit from Operations - 30% (2020: 30%) • Net Cash - 30% (2020: 20%)
Long term Incentives	Incentivise and promote the long-term sustainable success of the Group.	• Targets are set covering a three-year period for BAT Group UK results. • The award vests on the third anniversary of the award, • The number of shares that ultimately vest will depend on the extent that the performance conditions of the BAT Group (UK) have been met during the three-year performance period	• Earnings per share (EPS), • Total share-holder return (TSR), • Net Turnover and • Cash conversion

During the year, the performance metrics for the short-term incentives were enhanced to reflect the focus on delivering incremental value to shareholders year-on-year and the Group's drive to deliver A Better Tomorrow™ by growing the new categories and strategic brands.

Chairperson and Non-Executive Directors

The quantum and structure of Non-Executive Directors' remuneration will be assessed primarily against the same remuneration comparator group of companies used for setting the remuneration for executive directors.

The table below summarises the elements of reward for Non-Executive Directors.

Reward	Purpose and link to strategy	Mechanics of reward	Performance metrics
Fees	Fees for Non-Executive Directors need to be sufficient to attract, motivate and retain individuals with skills and senior-level experience to drive the Company's strategy forward	• Fixed monthly retainer • Sitting allowance for every committee or board meeting. • Reviewed annually and adjusted as required	As per Annual Board Evaluation.
Travel and related expenses	Recognise that high calibre talent is global in source and it is necessary to reimburse cost of travel to avoid it being an inhibitor to accepting the role	• Non-Executive Directors based out of the country are reimbursed for cost of travel and related expenses incurred by them as Directors of the Company in respect of attendance at Board, Committee and General meetings	None

Directors' Remuneration Report (continued)

Information not subject to audit (continued)

Other terms – Non-Executive Directors

Shareholding requirements	• There are no formal requirements for the Non-Executive Directors to hold shares in the Company. However, Non-Executive Directors are encouraged to acquire a small interest during the initial years after their date of appointment. • The Non-Executive Directors do not participate in the British American Tobacco Group share scheme, bonus schemes or incentive plans and are not members of any Company pension plan.
Terms of appointment	• The Non-Executive Directors do not have service contracts with the Company but instead have letters of appointment, which are available for inspection at the Company's registered office upon notice.
Terms of termination	• On termination, at any time, a Non-Executive Director is entitled to any accrued but unpaid Director's fees but not to any other compensation.

The Remuneration Committee conducts an annual review to ensure application and alignment of the Policy with the business needs to promote the long-term success of the Company.

Service contracts – Executive Directors

Duration of current contracts	The Managing Director and Finance Director are on permanent and pensionable contracts with the following execution dates:
Notice Period	Thirty (30) days
Provision for early termination of contracts	On early termination of contracts, the executive directors are eligible for redundancy packages as follows: • 1 month salary in lieu of notice • 2 months' salary • 4 days' worth of salary for every month or cause (such as gross misconduct), the Company may terminate the contract with immediate effect and no compensation would be payable. In the event that the contract is terminated for cause (such as gross misconduct), the Company may terminate the contract with immediate effect and no compensation would be payable.

Executive Director	Execution date	End date
Philemon Kipkemoi	28 May 2020	-
Crispin Achola	1 January 2021	-

Information subject to audit

Directors' remuneration and compensation as key management for the year ended 31 December 2021

The following table shows a summary of remuneration for the Executive Directors in respect of qualifying services as directors and compensation as key management for the year ended 31 December 2021 together with comparative figures for 2020:

	Salary		Taxable benefits		Short-term incentives		Long-term incentives		Pension		Total	
	KSh'000		KSh'000		KSh'000		KSh'000		KSh'000		KSh'000	
Executive Director	**2021**	2020	**2021**	2020	**2021**	2020	**2021**	2020	**2021**	2020	**2021**	2020
Beverley Spencer- Obatoyinbo (Upto 31 March 2021)	-	19,162	-	8,614	-	7,037	-	18,032	-	2,723	-	55,568
Crispin Achola (From 1 Jan 2021)	13,061	-	3,072	-	2,211	-	-	-	588		18,932	-
Sidney Wafula (Upto 24 June 2020)	-	4,826	-	813	-	1,573	-	2,043	-	434	-	9,689
Philemon Kipkemoi (From 28 May 2020)	8,380	5,339	1,816	1,151	3,086	1,766	3,087	1,294	754	480	17,124	10,030
Total remuneration	**21,441**	**29,327**	**4,888**	**10,578**	**5,297**	**10,376**	**3,087**	**21,369**	**1,342**	**3,637**	**36,056**	**75,287**

Directors' Remuneration Report (continued)

Information subject to audit (continued)

In the year 2021, as part of their compensation as key management, the Executive Directors were awarded shares in the parent company, BAT Group (UK). Beverley Spencer-Obatoyinbo was awarded nil shares (2020: 5,404 shares), Crispin Achola was awarded nil shares (2020: nil shares), Sidney Wafula was awarded nil shares (2020: 1,105 shares) and Philemon Kipkemoi was awarded 289 shares (2020; 289). The values of these shares have been included in the table above under Long-term incentives.

The following table shows a summary of remuneration for the Non-Executive Directors in respect of qualifying services for the year ended 31 December 2021 together with comparative figures for 2020:

Non-Executive Directors	Fixed Retainer		Sitting Allowance		Chairperson's Honoraria		Total	
	Ksh'000		Ksh'000		Ksh'000		Ksh'000	
Name	**2021**	**2020**	**2021**	**2020**	**2021**	**2020**	**2021**	**2020**
George Maina (up to 31 August 2020)	-	2,558	-	260	-	4,167	-	6,985
Carol Musyoka	2,585	2,348	342	285	-	-	2,927	2,633
Marion Gathoga-Mwangi (from 28 May 2020)	2,585	1,451	281	210	-	-	2,866	1,661
Peter Mwangi	2,585	2,348	311	260	-	-	2,896	2,608
Dr. Martin Oduor-Otieno	2,585	2,348	281	260	-	-	2,866	2,608
Dr. Macharia Irungu	2,585	2,348	218	235	-	-	2,803	2,583
Onyango Samuel Okech	2,585	2,348	281	260	-	-	2,866	2,608
Rita Kavashe (from 2 July 2020)	4,161	1,745	249	120	833	-	5,243	1,865
Andre Willeam Joubert (from 28 May 2020)	-	-	-	-	-	-	-	-
Sidney Wafula (up to 25 June 2020)	-	-	-	-	-	-	-	-
Total remuneration	**19,671**	**17,494**	**1,963**	**1,890**	**833**	**4,167**	**22,467**	**23,551**

Other required disclosures

Information not subject to audit

Payments to former Directors and payments for loss of office

The Company did not make any payments of money or other assets to former Directors. There were no other sums paid to third parties in respect of Directors' services.

Voting on the Remuneration Report at the 2021 AGM and engagement with shareholders

During the 2021 AGM, held on 12 May 2021, there were no votes cast against or votes held with respect to the Directors' remuneration policy and report.

Director's shareholding

Director's shareholding in British American Tobacco Kenya plc as at 31 December 2021 is as follows:

Director	2021	2020
Sidney Wafula	300	300
Carol Musyoka	200	200

By order of the Board

Kathryne Maundu
Company Secretary | 17 February 2022

Statement of Directors' Responsibilities

The Directors are responsible for the preparation and presentation of the Financial Statements of British American Tobacco Kenya plc set out on pages 102 to 152 which comprise the consolidated and company statements of financial position as at 31 December 2021, the consolidated statement of profit or loss and other comprehensive income, consolidated and company statements of changes in equity and consolidated and company statements of cash flows for year then ended, and notes to the Financial Statements including a summary of significant accounting policies and other explanatory information.

The Directors' responsibilities include: determining that the basis of accounting described in Note 2 is an acceptable basis for preparing and presenting the Financial Statements in the circumstances, preparation and presentation of Financial Statements in accordance with International Financial Reporting Standards and in the manner required by the Kenyan Companies Act, 2015, and for such internal control as the directors determine is necessary to enable the preparation of Financial Statements that are free from material misstatements, whether due to fraud or error.

Under the Kenyan Companies Act, 2015 the Directors are required to prepare Financial Statements for each financial year which give a true and fair view of the financial position of the Group and Company as at the end of the financial year and of the operating results of the Group for that year. It also requires the directors to ensure the Company keeps proper accounting records which disclose with reasonable accuracy the financial position of the Company.

The Directors accept responsibility for the annual Financial Statements, which have been prepared using appropriate accounting policies supported by reasonable and prudent judgments and estimates, in conformity with International Financial Reporting Standards and in the manner required by the Kenyan Companies Act, 2015. The Directors are of the opinion that the Financial Statements give a true and fair view of the financial position of the Group and Company and Group profit or loss.

The Directors further accept responsibility for the maintenance of accounting records which may be relied upon in the preparation of Financial Statements, as well as adequate systems of internal financial control.

The Directors have made an assessment of the Group and Company's ability to continue as a going concern and have no reason to believe the Group and Company will not be a going concern for at least the next twelve months from the date of this statement.

Approval of the Financial Statements

The Financial Statements, as indicated above, were approved and authorised for issue by the Board of Directors at a meeting held on 17 February 2022.

Rita Kavashe **Chairperson**	**Crispin Achola** **Managing Director**	**Philemon Kipkemoi** **Finance Director**

17 February 2022

Independent Auditor's Report

To the members of British American Tobacco Kenya plc

Report on the audit of the Financial Statements

Opinion

We have audited the Financial Statements of British American Tobacco Kenya plc set out on pages 102 to 152 which comprise the consolidated and company statements of financial position as at 31 December 2021, and the consolidated statement of profit or loss and other comprehensive income, consolidated and company statements of changes in equity and consolidated and company statements of cash flows for the year then ended, and notes to the Financial Statements, including a summary of significant accounting policies and other explanatory information.

In our opinion, the accompanying Financial Statements give a true and fair view of the consolidated and separate financial position of British American Tobacco Kenya plc as at 31 December 2021 and of its consolidated financial performance and its consolidated and separate cash flows for the year then ended in accordance with International Financial Reporting Standards (IFRSs) and the requirements of the Kenyan Companies Act, 2015.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs). Our responsibilities under those standards are further described in the Auditor's responsibilities for the Audit of the Financial Statements section of our report. We are independent of the group and company in accordance with the International Ethics Standards Board for Accountants' ***International Code of Ethics for Professional Accountants (including International Independence Standards) (IESBA Code),*** together with the ethical requirements that are relevant to our audit of the Financial Statements in Kenya and we have fulfilled our other ethical responsibilities in accordance with these requirements and the IESBA Code.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key audit matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated Financial Statements of the current period. These matters were addressed in the context of our audit of the Financial Statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Provisions and contingent liabilities in respect of litigations

The group and company are subject to claims, which could have an impact on the group's and the company's results if the potential exposures were to materialise. The directors apply judgment when considering whether, and how much, to provide for the potential exposure of each litigation. We focused on this area given the complexity and judgment necessary to determine whether to provide for, how much to provide for, disclose or not disclose certain exposures.

Our audit procedures in this area included, but was not limited to, an assessment of the processes and controls operated over litigations by the group and company. We held discussions with the group's and the company's in-house legal counsel, including after the year end, to discuss the nature of on-going claims, and to evaluate the latest status and accounting and disclosure implications.

We also obtained formal confirmations from the group's and company's external counsel for significant litigation matters to assess completeness of provisioning and disclosure.

We assessed the legal opinion from the external lawyers and challenged the basis used for the provisions recorded or disclosures made by the group and company by evaluating the external lawyers assessment of the likely outcome. Where provisions were not required, we also considered the adequacy and completeness of the group's and company's disclosures made in relation to contingent liabilities. These are contained in accounting policy Note 4 (i) – Critical accounting estimates and judgments and disclosure Note 32 - Contingent liabilities.

Independent Auditor's Report (continued)

Other Information

The directors are responsible for the other information. The other information comprises the Directors and statutory information, Directors' Report, the Directors' Remuneration Report and the statement of Directors' Responsibilities but does not include the Financial Statements and the auditor's report thereon, which we obtained prior to the date of this auditor's report, and the other information to be included in the Published Annual Report and Financial Statements, which is expected to be made available to us after that date.

Our opinion on the Financial Statements does not cover the other information and except to the extent otherwise explicitly stated in our report we do not and will not express any form of assurance conclusion thereon.

In connection with our audit of the Financial Statements, our responsibility is to read the other information identified above and, in doing so, consider whether the other information is materially inconsistent with the Financial Statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated.

If, based on the work we have performed on the other information that we have obtained prior to the date of this auditor's report, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Directors' responsibilities for the Financial Statements

As stated on page 98, the directors are responsible for the preparation of the Financial Statements that give a true and fair view in accordance with IFRSs and in the manner required by the Kenyan Companies Act, 2015, and for such internal control as the directors determine is necessary to enable the preparation of Financial Statements that are free from material misstatement, whether due to fraud or error.

In preparing the Financial Statements, the directors are responsible for assessing the group's and the company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the group and/or the company to cease operations, or have no realistic alternative but to do so.

Auditor's responsibilities for the audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the Financial Statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not a guarantee that an audit conducted in accordance with ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these Financial Statements.

As part of an audit in accordance with ISAs, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the Financial Statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the group's and the company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.

Independent Auditor's Report (continued)

- Conclude on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the group's and the company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the Financial Statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the group and/or the company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the Financial Statements, including the disclosures, and whether the Financial Statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the group to express an opinion on the Financial Statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with the directors regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide the directors with a statement that we have complied with relevant ethical requirements regarding independence, and communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, actions taken to eliminate threats or safeguards applied.

From the matters communicated with the directors, we determine those matters that were of most significance in the audit of the Financial Statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

Report on other legal and regulatory requirements

As required by the Kenyan Companies Act, 2015 we report to you, based on our audit, that in our opinion the information given in the report of the directors on pages 92 & 93 is consistent with the Financial Statements; and, the auditable part of the Directors' Remuneration Report on pages 94 to 97 has been prepared in accordance with the requirements of the Kenyan Companies Act, 2015.

The engagement partner responsible for the audit resulting in this independent auditor's report is CPA Jacob Gathecha practicing certificate number P/1610.

For and on behalf of

KPMG Kenya

Certified Public Accountants of Kenya

PO Box 40612-00100

Nairobi

17 February 2022

Consolidated statement of profit or loss and other comprehensive income

	Notes	Year ended 31 December 2021 KSh' 000	2020 KSh' 000
Gross revenue		**40,048,522**	**38,845,053**
Excise duty and Value Added Tax (VAT)		(14,621,153)	(13,505,816)
Net revenue	**6**	**25,427,369**	**25,339,237**
Cost of sales	7	(12,995,849)	(14,606,403)
Marketing and distribution costs	8	(1,317,108)	(1,738,305)
Administration and other expenses	9	(1,899,303)	(1,537,151)
Other income		154,526	131,542
Operating profit		**9,369,635**	**7,588,920**
Finance costs	10	(81,616)	(173,190)
Profit before tax	**11**	**9,288,019**	**7,415,730**
Income tax expense	13	(2,804,638)	(1,898,238)
Profit for the year		**6,483,381**	**5,517,492**
Other comprehensive income			
Items that will not be reclassified to profit or loss			
Gain on revaluation of property plan and equipment		1,150,306	-
Items that may be reclassified to profit or loss			
Net fair value loss		(15,383)	(26,638)
Total comprehensive income for the year		**7,618,304**	**5,490,854**
Earnings per share:			
Basic and diluted (KSh per share)	14	64.83	55.18

The notes on pages 111 to 152 are an integral part of these Financial Statements.

Consolidated statement of financial position

	Notes	Dec 2021	Dec 2020
		KSh' 000	KSh' 000
Capital and reserves attributable to the company's equity holders			
Share capital	16	1,000,000	1,000,000
Share premium	16	23	23
Other reserves	16	(15,383)	-
Revaluation surplus	17	2,837,183	1,726,977
Retained earnings		6,152,545	4,979,065
Proposed dividend	15	5,000,000	4,150,000
Total equity		**14,974,368**	**11,856,065**
Non-current liabilities			
Borrowings	26	19,665	48,135
Deferred income tax	18	1,919,075	1,528,229
Total non-current liabilities		**1,938,740**	**1,576,364**
Total equity and non-current liabilities		**16,913,108**	**13,432,429**
Non-current assets			
Property, plant and equipment	19	12,115,009	10,481,820
Deferred income tax	18	190,046	432,397
		12,305,055	**10,914,217**
Current assets			
Inventories	21	3,859,637	3,703,968
Current income tax	27	535,157	482,301
Receivables and prepayments	22	4,367,078	4,715,931
Derivative financial instruments	23	23,136	5,043
Cash and cash equivalents	24	3,028,755	1,884,392
		11,813,763	**10,791,635**
Current liabilities			
Payables and accrued expenses	25	5,770,302	6,235,909
Borrowings	26	20,313	19,422
Derivative financial instruments	23	32,498	15,519
Current income tax	27	703,130	223,411
Provisions for liabilities and charges	29	679,467	1,779,162
Net current assets		**4,608,053**	**2,518,212**
Total assets less current liabilities		**16,913,108**	**13,432,429**

The notes on pages 111 to 152 are an integral part of these Financial Statements. The Financial Statements on pages 102 to 152 were approved and authorised for issue by the Board of Directors on 17 February 2022 and signed on its behalf by:

Rita Kavashe
Chairperson

Crispin Achola
Managing Director

Philemon Kipkemoi
Finance Director

Company statement of financial position

	Notes	Dec 2021	Dec 2020
		KSh' 000	KSh' 000
Capital and reserves attributable to the Company's equity holders			
Share capital	16	1,000,000	1,000,000
Share premium	16	23	23
Hedging reserve	16	(15,383)	-
Revaluation surplus	17	2,837,183	1,726,977
Retained earnings		6,152,545	4,979,065
Proposed dividend	15	5,000,000	4,150,000
Total equity		**14,974,368**	**11,856,065**
Non-current liabilities			
Borrowings	26	19,665	44,171
Deferred income tax	18	1,919,075	1,528,229
Total non-current liabilities		**1,938,740**	**1,572,400**
Total equity and non-current liabilities		**16,913,108**	**13,428,465**
Non-current assets			
Property, plant and equipment	19	10,605,134	8,973,723
Investment in subsidiaries	20	12,000	12,000
		10,617,134	**8,985,723**
Current assets			
Inventories	21	3,799,034	3,619,389
Current income tax	27	535,157	482,301
Receivables and prepayments	22	3,583,259	3,790,270
Derivative financial instruments	23	23,136	5,043
Cash and cash equivalents	24	3,028,738	1,884,539
		10,969,324	**9,781,542**
Current liabilities			
Payables and accrued expenses	25	3,942,378	4,489,289
Borrowings	26	19,007	17,978
Derivative financial instruments	23	32,498	15,519
Provisions for liabilities and charges	29	679,467	816,014
		4,673,350	**5,338,800**
Net current assets		**6,295,974**	**4,442,742**
Total assets less current liabilities		**16,913,108**	**13,428,465**

The notes on pages 111 to 152 are an integral part of these Financial Statements. The Financial Statements on pages 102 to 152 were approved and authorised for issue by the Board of Directors on 17 February 2022 and signed on its behalf by:

Rita Kavashe
Chairperson

Crispin Achola
Managing Director

Philemon Kipkemoi
Finance Director

Consolidated statement of changes in equity

Year ended 31 December 2021

	Notes	Share capital	Share premium	Hedging reserve	Revaluation surplus	Retained earnings	Proposed dividends	Total equity
		KSh' 000	KSh' 000	KSh' 000	KSh' 000	KSh' 000	KSh' 000	KSh' 000
Balance as at 1 January 2021		1,000,000	23	-	1,726,977	4,979,065	4,150,000	11,856,065
Comprehensive income for the year								
Profit for the year		-	-	-	-	6,483,380	-	6,483,380
Transfer of excess depreciation	13	-	-		(57,285)	57,285		-
Deferred income tax on transfer	13	-	-		17,185	(17,185)		-
					(40,100)	**40,100**		**-**
Fair value gain on revaluation of land and buildings	15				1,643,295	-		1,643,295
Deferred tax on fair value gain on revaluation of land and buildings		-	-	-	(492,989)	-		(492,989)
					1,150,306			**1,150,306**
Hedge fair value gain/(loss) through P&L		-	-	(7,791)	-	-		(7,791)
Hedge fair value gain/(loss) through OCI				(10,846)				(10,846)
Deferred tax in respect of fair value gain/(loss) through OCI		-	-	3,254	-	-		3,254
		-	**-**	**(15,383)**	**-**	**-**		**(15,383)**
Transactions with owners								
Distribution to owners (dividends):								
Final for 2020 paid	15	-	-	-	-	-	(4,150,000)	(4,150,000)
Interim for 2021 paid	15	-	-	-	-	(350,000)	-	(350,000)
Proposed final for 2021	15	-	-	-	-	(5,000,000)	5,000,000	-
Total transactions with owners		-	-	-	-	(5,350,000)	850,000	(4,500,000)
At end of year		**1,000,000**	**23**	**(15,383)**	**2,837,183**	**6,152,545**	**5,000,000**	**14,974,368**

The notes on pages 111 to 152 are an integral part of these Financial Statements.

Consolidated statement of changes in equity (continued)

Year ended 31 December 2020

	Notes	Share capital	Share premium	Hedging reserve	Revaluation surplus	Retained earnings	Proposed dividends	Total equity
		KSh' 000	KSh' 000	KSh' 000	KSh' 000	KSh' 000	KSh' 000	KSh' 000
Balance as at 1 January 2020		1,000,000	23	26,638	1,755,585	3,932,965	3,000,000	9,715,211
Comprehensive income for the year								
Profit for the year		-	-	-	-	5,517,492	-	5,517,492
Transfer of excess depreciation	13	-	-		(40,868)	40,868	-	-
Deferred income tax on transfer	13	-	-		12,260	(12,260)	-	-
	-	**-**	**-**		**(28,608)**	**28,608**	**-**	**-**
Hedge fair value loss recognized through OCI			-	(88,236)	-	-	-	(88,236)
Hedge fair value gain from OCI to P&L		-	-	46,843	-	-	-	46,843
Deferred tax in respect of fair value gain through OCI	-	-	-	14,755	-	-	-	14,755
		-	**-**	**(26,638)**	**-**	**-**		**(26,638)**
Transactions with owners								
Distribution to owners (dividends):								
• Final for 2019 paid	15	-	-	-	-	-	(3,000,000)	(3,000,000)
• Interim for 2020 paid	15	-	-	-	-	(350,000)	-	(350,000)
• Proposed final for 2020	15	-	-	-	-	(4,150,000)	4,150,000	-
Total transactions with owners		-	-	-	-	(4,500,000)	1,150,000	(3,350,000)
At end of year		**1,000,000**	**23**	**-**	**1,726,977**	**4,979,065**	**4,150,000**	**11,856,065**

The notes on pages 111 to 152 are an integral part of these Financial Statements.

Company statement of changes in equity

Year ended 31 December 2021

	Notes	Share capital	Share premium	Hedging reserve	Revaluation surplus	Retained earnings	Proposed dividends	Total equity
		KSh' 000	KSh' 000	KSh' 000	KSh' 000	KSh' 000	KSh' 000	KSh' 000
Balance as at 1 January 2021		1,000,000	23	-	1,726,977	4,979,065	4,150,000	11,856,065
Comprehensive income for the year								
Profit for the year		-	-	-	-	6,483,380	-	6,483,380
Transfer of excess depreciation	13	-	-		(57,285)	57,285	-	-
Deferred income tax on transfer	13	-	-		17,185	(17,185)		-
					(40,100)	**40,100**		**-**
Fair value gain on revaluation of land and buildings		-	-	-	1,643,295	-	-	1,643,295
Deferred tax on fair value gain on revaluation of land and buildings		-	-	-	(492,989)	-	-	(492,989)
					1,150,307			**1,150,307**
Hedge fair value gain/(loss) through P&L		-	-	(7,791)	-	-	-	(7,791)
Hedge fair value gain/(loss) through OCI		-	-	(10,846)	-	-	-	(10,846)
Deferred tax in respect of fair value gain/(loss) through OCI		-	-	3,254	-	-		3,254
		-	**-**	**(15,383)**	**-**	**-**		**(15,383)**
Transactions with owners								
Distribution to owners (dividends):								
Final for 2020 paid	15	-	-	-	-	-	(4,150,000)	(4,150,000)
Interim for 2021 paid	15	-	-	-	-	(350,000)	-	(350,000)
Proposed final for 2021	15	-	-	-	-	(5,000,000)	5,000,000	-
Total transactions with owners		-	-	-	-	(5,350,000)	850,000	4,500,000
At end of year		**1,000,000**	**23**	**(15,383)**	**2,837,183**	**6,152,545**	**5,000,000**	**14,974,368**

The notes on pages 111 to 152 are an integral part of these Financial Statements.

Company statement of changes in equity (continued)

Year ended 31 December 2020

	Notes	Share capital	Share premium	Hedging reserve	Revaluation surplus	Retained earnings	Proposed dividends	Total equity
		KSh' 000	KSh' 000	KSh' 000	KSh' 000	KSh' 000	KSh' 000	KSh' 000
Balance as at 1 January 2020		1,000,000	23	26,638	1,755,585	3,932,965	3,000,000	9,715,211
Comprehensive income for the year								
Profit for the year		-	-	-	-	5,517,492	-	5,517,492
Transfer of excess depreciation	13	-	-		(40,868)	40,868	-	-
Deferred income tax on transfer	13	-	-		12,260	(12,260)	-	-
	-	**-**	**-**		**(28,608)**	**28,608**	**-**	**-**
Hedge fair value loss recognized through OCI			-	(88,236)	-	-	-	(88,236)
Hedge fair value gain from OCI to P&L		-	-	46,843	-	-	-	46,843
Deferred tax in respect of fair value gain through OCI	-	-	-	14,755	-	-	-	14,755
		-	**-**	**(26,638)**	**-**	**-**		**(26,638)**
Transactions with owners								
Distribution to owners (dividends):								
Final for 2019 paid	15	-	-	-	-	-	(3,000,000)	(3,000,000)
Interim for 2020 paid	15	-	-	-	-	(350,000)	-	(350,000)
Proposed final for 2020	15	-	-	-	-	(4,150,000)	4,150,000	-
Total transactions with owners		-	-	-	-	(4,500,000)	1,150,000	(3,350,000)
At end of year		**1,000,000**	**23**	**-**	**1,726,977**	**4,979,065**	**4,150,000**	**11,856,065**

The notes on pages 111 to 152 are an integral part of these Financial Statements.

Consolidated statement of cash flows

	Notes	2021	2020
		Year ended 31 December	
		KSh'000	KSh'000
Cash flows from operating activities			
Cash generated from operations	30	8,571,343	7,417,870
Interest received	10	3,791	3,572
Interest paid	10	(105,356)	(177,826)
Income tax paid	27	(2,234,312)	(2,497,361)
Net cash generated from operating activities		**6,235,466**	**4,746,255**
Cash flows from investing activities			
Purchase of property, plant and equipment	19	(570,114)	(1,291,613)
Proceeds from disposal of property, plant and equipment		-	12,061
Net cash used in investing activities		**(570,114)**	**(1,279,552)**
Cash flows from financing activities		**-**	**12,061**
Dividends paid to the company shareholders	15	(4,500,000)	(3,350,000)
Payment of lease liabilities	26	(20,989)	(43,754)
Net cash used in financing activities		**(4,520,989)**	**(3,393,754)**
Net movement in cash and cash equivalents		**1,144,363**	**72,949**
Cash and cash equivalents at beginning of year		1,884,392	1,811,443
Cash and cash equivalents at end of year	**24**	**3,028,755**	**1,884,392**

The notes on pages 111 to 152 are an integral part of these Financial Statements.

Company statement of cash flows

	Notes	Year ended 31 December 2021	2020
Cash flows from operating activities			
Cash generated from/(utilised by) operations	30	439,196	(293,327)
Interest received	10	3,791	3,572
Interest paid	10	(105,168)	(177,378)
Income tax paid	27	(302,698)	(449,603)
Net cash (used in)/generated from operating activities		**35,121**	**(916,736)**
Cash flows from investing activities			
Purchase of property, plant and equipment	19	(561,637)	(654,708)
Proceeds from disposal of property, plant and equipment		-	12,061
Net cash used in investing activities		**(561,637)**	**(642,647)**
Cash flows from financing activities			
Dividends received from subsidiary		6,191,159	5,018,568
Dividends paid to the company shareholders	15	(4,500,000)	(3,350,000)
Payment of lease liabilities	26	(20,444)	(36,089)
Net cash generated from/(used in) financing activities		**1,670,715**	**1,632,479**
Net movement in cash and cash equivalents		1,144,199	73,096
Cash and cash equivalents at beginning of year		1,884,539	1,811,443
Cash and cash equivalents at end of year	**24**	**3,028,738**	**1,884,539**

The notes on pages 111 to 152 are an integral part of these Financial Statements.

Notes

1. General information

British American Tobacco Kenya plc is incorporated in Kenya under the Kenyan Companies Act, 2015 as a public limited liability Company, and is domiciled in Kenya. The address of its registered office is:

08, Likoni Road, Industrial Area
P.O. Box 30000 – 00100
Nairobi

60% of the Company is controlled by the British American Tobacco Plc incorporated in England and Wales, which is also the ultimate parent company.

The Company's shares are listed on the Nairobi Securities Exchange.

The Financial Statements for the year ended 31 December 2021 comprise the Company and its subsidiary (together referred to as the "Group").

For Kenyan Companies Act, 2015 reporting purposes, the profit and loss account is represented by the statement of profit or loss and other comprehensive income and the balance sheet is represented by the statement of financial position in these Financial Statements.

2. Summary of significant accounting policies

The principal accounting policies adopted in the preparation of these Financial Statements are set out below. These policies have been consistently applied to all years presented, unless otherwise stated.

(a) Basis of preparation

The Financial Statements are prepared in accordance with International Financial Reporting Standards (IFRSs) and in the manner required by the Kenyan Companies Act, 2015. The measurement basis applied is the historical cost basis, except where otherwise stated in the accounting policies below. The Financial Statements are presented in Kenya Shillings (KSh), rounded to the nearest thousand.

The preparation of Financial Statements in conformity with IFRSs requires the use of certain critical accounting estimates. It also requires directors to exercise their judgement in the process of applying the Group's accounting policies. The areas involving a higher degree of judgement or complexity, or where assumptions and estimates are significant to the Financial Statements, are disclosed in Note 4.

The Group has applied the exemption within section 646 of the Kenyan Companies Act, 2015 which allows omission of the Company's statement of profit or loss when group Financial Statements are prepared.

(b) New standards, amendments and interpretations

(i) New and amended standards adopted during the year

New amendments or interpretation	Effective date
COVID-19-Related Rent Concessions (Amendment to IFRS 16)	1 January 2021
Interest Rate Benchmark Reform – Phase 2 (Amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16)	1 January 2021

COVID-19 Related Rent Concessions (Amendments to IFRS 16)

The amendments introduce an optional practical expedient that simplifies how a lessee accounts for rent concessions that are a direct consequence of COVID-19. A lessee that applies the practical expedient is not required to assess whether eligible rent concessions are lease modifications, and accounts for them in accordance with other applicable guidance. The resulting accounting will depend on the details of the rent concession.

The practical expedient applies if:

- the revised consideration is substantially the same or less than the original consideration;
- the reduction in lease payments relates to payments due on or before 30 June 2021; and
- no other substantive changes have been made to the terms of the lease.

Notes (continued)

2. Summary of significant accounting policies (continued)

(b) New standards, amendments and interpretations (continued)

(i) New and amended standards adopted during the year (continued)

Lessees applying the practical expedient are required to disclose:

- that fact, if they have applied the practical expedient to all eligible rent concessions and, if not, the nature of the contracts to which they have applied the practical expedient; and
- the amount recognised in profit or loss for the reporting period arising from application of the practical expedient.

The adoption of these amendments did not have a material impact on the Financial Statements of the as the Group has not had any lease concessions.

Interest Rate Benchmark Reform – Phase 2 (Amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16)

The amendments address issues that might affect financial reporting as a result of the reform of an interest rate benchmark, including the effects of changes to contractual cash flows or hedging relationships arising from the replacement of an interest rate benchmark with an alternative benchmark rate. The amendments provide practical relief from certain requirements in IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16 relating to:

Change in basis for determining cash flows

The amendments will require an entity to account for a change in the basis for determining the contractual cash flows of a financial asset or financial liability that is required by interest rate benchmark reform by updating the effective interest rate of the financial asset or financial liability.

Hedge accounting

The amendments provide exceptions to the hedge accounting requirements in the following areas:

- Allow amendment of the designation of a hedging relationship to reflect changes that are required by the reform.
- When a hedged item in a cash flow hedge is amended to reflect the changes that are required by the reform, the amount accumulated in the cash flow hedge reserve will be deemed to be based on the alternative benchmark rate on which the hedged future cash flows are determined.
- When a group of items is designated as a hedged item and an item in the group is amended to reflect the changes that are required by the reform, the hedged items are allocated to sub groups based on the benchmark rates being hedged.
- If an entity reasonably expects that an alternative benchmark rate will be separately identifiable within a period of 24 months, it is not prohibited from designating the rate as a non contractually specified risk component if it is not separately identifiable at the designation date.

The adoption of these amendments did not have a material impact on the Financial Statements of the Group.

(ii) New standards and interpretations not yet adopted

At the date of authorisation of the Financial Statements of British American Tobacco Kenya Plc for the year ended 31 December 2021, the following Standards and Interpretations were in issue but not yet effective:

New amendments or interpretation	Effective for annual periods beginning on or after
• Onerous Contracts – Cost of Fulfilling a Contract (Amendments to IAS 37)	1 January 2022
• Annual Improvements to IFRS Standards 2018–2020	1 January 2022
• Property, Plant and Equipment: Proceeds before Intended Use (Amendments to IAS 16)	1 January 2022

Notes (continued)

2. Summary of significant accounting policies (continued)

(b) New standards, amendments and interpretations (continued)

(ii) New standards and interpretations not yet adopted (continued)

New amendments or interpretation	Effective for annual periods beginning on or after
• Reference to the Conceptual Framework (Amendments to IFRS 3)	1 January 2022
• IFRS 17 Insurance Contracts and amendments to IFRS 17 Insurance Contracts	1 January 2023
• Classification of Liabilities as Current or Non-current (Amendments to IAS 1)	1 January 2023
• Disclosure of Accounting Policies (Amendments to IAS 1 and IFRS Practice Statement 2)	1 January 2023
• Definition of Accounting Estimate (Amendments to IAS 8)	1 January 2023
• Deferred Tax Related to Assets and Liabilities Arising from a Single Transaction – Amendments to IAS 12 Income Taxes	1 January 2023
• Sale or Contribution of Assets between an Investor and its Associate or Joint Venture (Amendments to IFRS 10 and IAS 28	Available for optional adoption/ effective date deferred indefinitely

All standards and Interpretations will be adopted at their effective date (except for those standards and Interpretations that are not applicable to the entity).The adoption of these amendments are not expected to have a material impact on the Financial Statements.

(c) Consolidation

(i) Subsidiaries

Subsidiaries are all entities (including structured entities) over which the Group has control. The Group controls an entity when the Group is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. Subsidiaries are fully consolidated from the date on which control is transferred to the Group. They are deconsolidated from the date that control ceases.

The Group applies the acquisition method to account for business combinations. The consideration transferred for the acquisition of a subsidiary is the fair values of the assets transferred, the liabilities incurred to the former owners of the acquiree and the equity interests issued by the Group. The consideration transferred includes the fair value of any asset or liability resulting from a contingent consideration arrangement. Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair values at the acquisition date. The Group recognises any non-controlling interest in the acquiree on an acquisition-by-acquisition basis, either at fair value or at the non-controlling interest's proportionate share of the recognised amounts of acquiree's identifiable net assets.

Notes (continued)

2. Summary of significant accounting policies (continued)

(c) Consolidation (continued)

(i) Subsidiaries (continued)

Acquisition-related costs are expensed as incurred.

If the business combination is achieved in stages, the acquisition date carrying value of the acquirer's previously held equity interest in the acquiree is remeasured to fair value at the acquisition date; any gains or losses arising from such remeasurement are recognised in profit or loss.

Any contingent consideration is measured at fair value at the date of acquisition. If an obligation to pay contingent consideration that meets the definition of a financial instrument is classified as equity, then it is not remeasured and settlement is accounted for within equity. Otherwise, other contingent consideration is remeasured at fair value at each reporting date and subsequent changes in the fair value of the contingent consideration are recognised in profit or loss.

The excess of the consideration transferred the amount of any non-controlling interest in the acquiree and the acquisition-date fair value of any previous equity interest in the acquiree over the fair value of the identifiable net assets acquired is recorded as goodwill. If the total of consideration transferred, non-controlling interest recognised and previously held interest measured is less than the fair value of the net assets of the subsidiary acquired in the case of a bargain purchase, the difference is recognised directly in the income statement.

(ii) Changes in ownership interests in subsidiaries without change of control

Transactions with non-controlling interests that do not result in loss of control are accounted for as equity transactions, that is, as transactions with the owners in their capacity as owners.

(iii) Disposal of subsidiaries

When the Group ceases to have control, any retained interest in the entity is remeasured to its fair value at the date when control is lost, with the change in carrying amount recognised in profit or loss. The fair value is the initial carrying amount for the purposes of subsequently accounting for the retained interest as an associate, joint venture or financial asset. In addition, any amounts previously recognised in other comprehensive income in respect of that entity are accounted for as if the Group had directly disposed of the related assets or liabilities. This may mean that amounts previously recognised in other comprehensive income are reclassified to profit or loss.

(d) Functional currency and foreign currency translation

(i) Functional and presentation currency

Items included in the Financial Statements of each of the Group's entities are measured using the currency of the primary economic environment in which the entity operates ('the functional currency'). The consolidated Financial Statements are presented in 'Kenyan Shillings (KSh), which is the Group's presentation currency.

(ii) Transactions and balances

Transactions in foreign currencies during the year are converted into Kenya shillings at the exchange rate ruling at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies at the reporting date are retranslated to the functional currency at the exchange rate at that date. The foreign currency gain or loss on monetary items is the difference between amortised cost in the functional currency at the beginning of the period, adjusted for effective interest and payments during the period, and the amortised cost in foreign currency translated at the exchange rate at the end of the period.

Notes (continued)

2. Summary of significant accounting policies (continued)

(d) Functional currency and foreign currency translation (continued)

(ii) Transactions and balances (continued)

Non-monetary assets and liabilities denominated in foreign currencies that are measured at fair value are retranslated to the functional currency at the exchange rate at the date that the fair value was determined. Foreign currency differences arising on retranslation are recognised in profit or loss.

(e) Segment reporting

Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision-maker. The chief operating decision-maker, who is responsible for allocating resources and assessing performance of the operating segments, has been identified as the Managing Director who makes operational decisions.

(f) Revenue recognition

Revenue is measured at the fair value of the consideration received or receivable for the sale of goods and services in the ordinary course of the Group and Company's activities. Net revenue is stated net of value-added tax (VAT), excise duty, returns, rebates and discounts and after eliminating sales within the Group.

Revenue is measured based on the consideration to which the Group expects to be entitled in a contract with a customer. The Group recognises revenue when it transfers control of a product or service to a customer.

The Group will recognise revenue in accordance with that core principle by applying the following five steps:

Step 1	Identify the contract(s) with a customer;
Step 2	Identify the performance obligations in the contract;
Step 3	Determine the transaction price;
Step 4	Allocate the transaction price to the performance obligations in the contract;
Step 5	Recognise revenue when (or as) the entity satisfies a performance obligation.

(g) Property, plant and equipment

All categories of property, plant and equipment are initially recorded at cost. Buildings and land are subsequently shown at fair value, based on periodic, but at least once every five years, valuations by external independent valuers, less subsequent depreciation. All other property, plant and equipment is stated at historical cost less accumulated depreciation and any impairment losses. Historical cost includes expenditure that is directly attributable to the acquisition of the items.

Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. The carrying amount of the replaced part is derecognised. All other repairs and maintenance are charged to profit or loss during the financial period in which they are incurred.

Increases in the carrying amount arising on revaluation of land and buildings are credited to other comprehensive income and cumulated in the revaluation surplus reserve in equity. Decreases that offset previous increases of the same asset are charged in other comprehensive income and debited against the revaluation surplus directly in equity; all other decreases are charged to profit or loss.

Each year, the difference between depreciation based on the revalued carrying amount of the asset (i.e. the depreciation charged to profit or loss) and the depreciation based on the asset's original cost is transferred from the revaluation surplus to retained earnings.

Notes (continued)

2. Summary of significant accounting policies (continued)

(g) Property, plant and equipment (continued)

Depreciation on other assets is calculated using the straight-line method to allocate their cost or revalued amounts to their residual values over their estimated useful lives, as follows:

Buildings	2% per annum
Plant and machinery	5% per annum
Vehicles and computer	20% - 33% per annum
Furniture, fittings and equipment	10% per annum

The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at the end of each reporting date.

The carrying amount of the Group's non-current assets is written down immediately to its estimated recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount.

Gains and losses on disposal of property, plant and equipment are determined by comparing proceeds with the carrying amount and are included in the profit or loss. On disposal of revalued assets, amounts in the revaluation surplus reserve relating to that asset are transferred to retained earnings.

Capital work in progress represents assets that are under construction or that are not immediately available for use and are not depreciated but are reviewed for impairment.

(h) Impairment of non-financial assets

The carrying amounts of the Group's non-financial assets, other than deferred tax assets and inventories, are reviewed at each financial reporting date to determine whether there is any indication of impairment. If any such indication exists then the assets' recoverable amount is estimated.

An impairment loss is recognised if the carrying amount of an asset or its cash-generating unit exceeds its recoverable amount. A cash-generating unit is the smallest identifiable asset group that generates cash inflows that largely are independent from other assets and groups. Impairment losses are recognised in the profit or loss. Impairment losses recognised in respect of cash-generating units are allocated first to reduce the carrying amount of any goodwill allocated to the units and then to reduce the carrying amount of the other assets in the unit (group of units) on a pro-rata basis.

The recoverable amount of an asset or cash-generating unit is the greater of its value in use and its fair value less costs to sell. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset.

(i) Accounting for leases

All leases that grant the Group the right to control the use of an identified asset for a period of time are accounted for as follows:

(i) For lease terms of more than 12 months, the present value of the unavoidable lease payments are capitalised and shown together with property, plant and equipment;

(ii) If lease payments are made over time, the Group also recognises a financial liability representing its obligation to make future lease payments;

(iii) Depreciation of lease assets and interest on lease liabilities in profit or loss over the lease term; and

(iv) The total amount of cash paid into a principal portion is presented within financing activities and interest is separately presented within operating activities in the statement of cash flows.

The Group does not recognise assets and liabilities for:

(i) short-term leases (i.e. leases of 12 months or less), and;

(ii) leases of low-value assets (i.e. less than KSh 500,000).

Notes (continued)

2. Summary of significant accounting policies (continued)

(i) Accounting for leases (continued)

As a lessee

At commencement or on modification of a contract that contains a lease component, the Group and Company allocates the consideration in the contract to each lease component on the basis of its relative stand-alone prices.

The Group and Company recognises a right-of-use asset and a lease liability at the lease commencement date. The right-of-use asset is initially measured at cost, which comprises the initial amount of the lease liability adjusted for any lease payments made at or before the commencement date, plus any initial direct costs incurred and an estimate of costs to dismantle and remove the underlying asset or to restore the underlying asset or the site on which it is located, less any lease incentives received.

The right-of-use asset is subsequently depreciated using the straight-line method from the commencement date to the end of the lease term, unless the lease transfers ownership of the underlying asset to the Group and Company by the end of the lease term or the cost of the right-of-use asset reflects that the Group and Company will exercise a purchase option.

In that case the right-of-use asset will be depreciated over the useful life of the underlying asset, which is determined on the same basis as those of property and equipment. In addition, the right-of-use asset is periodically reduced by impairment losses, if any, and adjusted for certain remeasurements of the lease liability.

The lease liability is initially measured at the present value of the lease payments that are not paid at the commencement date, discounted using the interest rate implicit in the lease or, if that rate cannot be readily determined, the Group and Company's incremental borrowing rate. Generally, the Group and Company uses its incremental borrowing rate as the discount rate.

The Group and Company determines its incremental borrowing rate by obtaining interest rates from various external financing sources and makes certain adjustments to reflect the terms of the lease and type of the asset leased. Lease payments included in the measurement of the lease liability comprise the following:

- fixed payments, including in-substance fixed payments;
- variable lease payments that depend on an index or a rate, initially measured using the index or rate as at the commencement date;
- amounts expected to be payable under a residual value guarantee; and
- the exercise price under a purchase option that the Group and Company is reasonably certain to exercise, lease payments in an optional renewal period if the Group and Company is reasonably certain to exercise an extension option, and penalties for early termination of a lease unless the Group and Company is reasonably certain not to terminate early.

The lease liability is measured at amortised cost using the effective interest method. It is remeasured when there is a change in future lease payments arising from a change in an index or rate, if there is a change in the Group and Company's estimate of the amount expected to be payable under a residual value guarantee, if the Group and Company changes its assessment of whether it will exercise a purchase, extension or termination option or if there is a revised in-substance fixed lease payment. When the lease liability is remeasured in this way, a corresponding adjustment is made to the carrying amount of the right-of-use asset or is recorded in profit or loss if the carrying amount of the right-of-use asset has been reduced to zero.

The Group and Company presents right-of-use assets that do not meet the definition of investment property in 'property, plant and equipment' and lease liabilities in 'loans and

Notes (continued)

2. Summary of significant accounting policies (continued)

(i) Accounting for leases (continued)

As a lessee (continued)

borrowings' in the statement of financial position. The Group and Company has elected not to recognise right-of-use assets and lease liabilities for leases of low-value assets and short-term leases. The Group and Company recognises the lease payments associated with these leases as an expense on a straight-line basis over the lease term.

As a lessor

At inception or on modification of a contract that contains a lease component, the Group and Company allocates the consideration in the contract to each lease component on the basis of their relative stand- alone prices. When the Group and Company acts as a lessor, it determines at lease inception whether each lease is a finance lease or an operating lease.

To classify each lease, the Group and Company makes an overall assessment of whether the lease transfers substantially all of the risks and rewards incidental to ownership of the underlying asset. If this is the case, then the lease is a finance lease; if not, then it is an operating lease. As part of this assessment, the Group and Company considers certain indicators such as whether the lease is for the major part of the economic life of the asset.

When the Group and Company is an intermediate lessor, it accounts for its interests in the head lease and the sub-lease separately. It assesses the lease classification of a sub-lease with reference to the right-of-use asset arising from the head lease, not with reference to the underlying asset. If a head lease is a short-term lease to which the Group and Company applies the exemption described above, then it classifies the sub-lease as an operating lease.

If an arrangement contains lease and non-lease components, then the Group and Company applies IFRS 15 to allocate the consideration in the contract. The Group and Company applies the derecognition and impairment requirements in IFRS 9 to the net investment in the lease. The Group and Company further regularly reviews estimated unguaranteed residual values used in calculating the gross investment in the lease. The Group and Company recognises lease payments received under operating leases as income on a straight-line basis over the lease term as part of 'other revenue'.

Generally, the accounting policies applicable to the Group and Company as a lessor in the comparative period were not different from IFRS 16 except for the classification of the sub-lease entered into during current reporting period that resulted in a finance lease classification.

(j) Inventories

Inventories are stated at the lower of cost and net realisable value. Cost is determined by the weighted average method. The cost of finished goods and work in progress comprises raw materials, direct labour, other direct costs and related production overheads (based on normal operating capacity), but excludes borrowing costs. Net realisable value is the estimated selling price in the ordinary course of business, less the costs of completion and applicable variable selling expenses.

(k) Financial instruments

(i) Recognition and initial measurement

Financial assets and financial liabilities are recognised in the Group's statement of financial position when the Group becomes a party to the contractual provisions of the instrument.

Financial assets and financial liabilities are initially measured at fair value. Transaction costs that are directly attributable to the acquisition or issue of financial assets and financial liabilities (other than financial assets and financial liabilities at fair value through profit or loss) are added to or deducted from the fair value of the financial assets or financial liabilities, as appropriate, on initial recognition. Transaction costs directly attributable to the acquisition of

Notes (continued)

2. Summary of significant accounting policies (continued)

(k) Financial instruments (continued)

As a lessor (continued)

(i) Recognition and initial measurement (continued)

financial assets or financial liabilities at fair value through profit or loss are recognised immediately in profit or loss.

(ii) Classification and subsequent measurement

The Group and Company classify their financial assets in the following categories; amortised cost, fair value through profit or loss (FVTPL) and fair value through other comprehensive income (FVOCI). The classification depends on the purpose for which the financial assets were acquired. Management determines the classification of its financial assets at initial recognition.

The classification of financial assets and their subsequent accounting will be determined by the application of dual tests examining the contractual cash flow characteristics of the financial instruments and the Group's business model for managing the assets.

(iii) Offsetting financial instruments

Financial assets and liabilities are offset and the net amount reported in the statement of financial position when there is a legally enforceable right to offset the recognized amounts and there is an intention to settle on a net basis or realise the asset and settle the liability simultaneously.

(iv) Impairment of financial assets

The Group recognises a loss allowance for expected credit losses on investments in debt instruments that are measured at amortised cost or at FVOCI, trade receivables and contract assets, as well as on financial guarantee contracts. The amount of expected credit losses is updated at each reporting date to reflect changes in credit risk since initial recognition of the respective financial instrument.

The "incurred loss" model is replaced by the "expected credit loss" model in IFRS 9. This applies to all financial assets not held at fair value through profit and loss (FVTPL) – certain investments, loans, trade receivables and other receivables.

For financial assets carried at amortised cost (including loans and other receivables such as trade debtors), impairment losses are recognised under the "expected loss model", building up a debtors' provision / allowance account against credit losses over the life of the financial asset (including an estimate of initial credit risk), rather than the "incurred loss model" used under IAS 39, where a loss was recognised only if there was a specific event (such as default) triggering an impairment review.

Under the impairment approach in IFRS 9 it is no longer necessary for a credit event to have occurred before credit losses are recognised. Instead, the Group accounts for expected credit losses, and changes in those expected credit losses. The amount of expected credit losses is updated at each reporting date to reflect changes in credit risk since initial recognition and, consequently, more timely information is provided about expected credit losses.

(v) Derecognition of financial assets

The Group derecognises a financial asset only when the contractual rights to the cash flows from the asset expire, or when it transfers the financial asset and substantially all the risks and rewards of ownership of the asset to another entity. If the Group neither transfers nor retains substantially all the risks and rewards of ownership and continues to control the transferred asset, the Group recognises its retained interest in the asset and an associated liability for amounts it may have to pay. If the Group retains substantially all the risks and rewards of ownership of

Notes (continued)

2. Summary of significant accounting policies (continued)

(k) Financial instruments (continued)

(v) Derecognition of financial assets (continued)

a transferred financial asset, the Group continues to recognise the financial asset and also recognises a collateralised borrowing for the proceeds received.

(l) Derivative financial instruments and hedge accounting

Fair value hedges

Derivatives, which comprise solely forward foreign exchange contracts, are initially recognised at fair value on the date the derivative contract is entered into and are subsequently re-measured at their fair value. The derivatives do not qualify for hedge accounting. Changes in the fair value of derivatives are recognised immediately in profit or loss. These derivatives are trading derivatives and are classified as a current asset or liability.

Cashflow hedges

When a derivative is designated as a cash flow hedging instrument, the effective portion of changes in the fair value of the derivative is recognised in OCI and accumulated in the hedging reserve. The effective portion of changes in the fair value of the derivative that is recognised in OCI is limited to the cumulative change in fair value of the hedged item, determined on a present value basis, from inception of the hedge. Any ineffective portion of changes in the fair value of the derivative is recognised immediately in profit or loss.

(m) Trade receivables

Trade receivables are amounts due from customers for merchandise sold or services performed in the ordinary course of business. If collection is expected in one year or less (or in the normal operating cycle of the business if longer), they are a classified as current assets. If not, they are presented as non-current assets.

Trade receivables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest rate method, less provision for impairment.

(n) Trade payables

Trade payables are obligations to pay for goods or services that have been acquired in the ordinary course of business from suppliers. Accounts payable are classified as current liabilities if payment is due within one year or less (or in the normal operating cycle of the business if longer). If not, they are presented as non-current liabilities.

Trade payables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest rate method.

(o) Share capital

Ordinary shares are classified as 'share capital' in equity. Any premium received over and above the par value of the shares is classified as 'share premium' in equity.

(p) Cash and cash equivalents

In the statement of cash flows, cash and cash equivalents includes cash in hand, deposits held at call with banks, other short-term highly liquid investments with original maturities of three months or less, and bank overdrafts. Bank overdrafts are shown within borrowings in current liabilities on the statement of financial position.

(q) Employee benefits

Pension obligations

The Group and Company operate two defined contribution retirement benefit schemes for all their employees. The assets of each scheme are held in separate funds which are administered by an independent fund manager and are funded by contributions from both the Group and employees. The Group's contributions to the schemes are charged to profit or loss in the year to which they relate.

Other entitlements

Employee entitlements to long service awards are recognised when they accrue to employees. The estimated monetary liability for employees' accrued annual leave entitlement at the statement of financial position date is recognised as an expense accrual.

Notes (continued)

2. Summary of significant accounting policies (continued)

(q) Employee benefits (continued)

Other entitlements (continued)

The Group and all its employees also contribute to the National Social Security Fund (NSSF), which is a defined contribution scheme.

Termination benefits

Termination benefits are payable when employment is terminated by the Group before the normal retirement date, or whenever an employee accepts voluntary redundancy in exchange for these benefits. The Group recognises termination benefits at the earlier of the following dates: (a) when the Group can no longer withdraw the offer of those benefits; and (b) when the entity recognises costs for a restructuring that is within the scope of IAS 37 and involves the payment of termination benefits. In the case of an offer made to encourage voluntary redundancy, the termination benefits are measured based on the number of employees expected to accept the offer. Benefits falling due more than 12 months after the end of the reporting period are discounted to their present value.

Bonus plans

The Group recognises a liability and an expense for bonuses. The Group recognises a provision where contractually obliged or where there is a past practice that has created a constructive obligation.

(r) Current and deferred income tax

The tax expense for the period comprises current and deferred income tax. Tax is recognised in the profit or loss except to the extent that it relates to items recognised in other comprehensive income or directly in equity. In this case, the tax is also recognised in other comprehensive income or directly in equity, respectively.

Deferred income tax is recognised, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the Financial Statements. However, if the deferred tax liabilities are not recognised if they arise from the initial recognition of goodwill; deferred income tax is not accounted for if it arises from initial recognition of an asset or liability in a transaction other than a business combination that at the time of the transaction affects neither accounting nor taxable profit or loss. Deferred income tax is determined using tax rates and laws that have been enacted or substantively enacted at the reporting date and are expected to apply when the related deferred income tax liability is settled.

Deferred income tax assets are recognised only to the extent that it is probable that future taxable profits will be available against which the temporary differences can be utilised. Deferred income tax is provided on temporary differences arising on investments in subsidiaries and associates, except where the timing of the reversal of the temporary difference is controlled by the Group and it is probable that the temporary difference will not reverse in the foreseeable future.

Deferred income tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets against current tax liabilities and when the deferred income taxes assets and liabilities relate to income taxes levied by the same taxation authority on either the same taxable entity or different taxable entities where there is an intention to settle the balances on a net basis.

(s) Borrowings

Borrowings are recognised initially at fair value, net of transaction costs incurred. Borrowings are subsequently stated at amortised cost; any difference between the proceeds (net of transaction costs) and the redemption value is recognised in profit or loss over the period of the borrowings using the effective interest rate method.

Fees paid on the establishment of loan facilities are recognised as transaction costs of the loan to the extent that it is probable that some or all of the facility will be drawn down. In this case, the fee is deferred until the draw-down occurs. To the extent there is no evidence that it is probable that some or all of the facility will

Notes (continued)

2. Summary of significant accounting policies (continued)

(s) Borrowings (continued)

be drawn down, the fee is capitalised as a pre-payment for liquidity services and amortised over the period of the facility to which it relates.

Borrowings are classified as current liabilities unless there is an unconditional right to defer settlement of the liability for at least 12 months after the reporting date.

(t) Dividend distribution

Dividends payable to the Company's shareholders are recognised as a liability in the Financial Statements in the period in which the dividends are approved by the Company's shareholders. Proposed dividends are shown as a separate component of equity until declared.

Dividends payable are charged to equity in the period in which they are approved. Proposed dividends are accrued after ratification at a General Meeting of the Company.

(u) Provisions

Provisions are recognised when the Group and Company have a present legal or constructive obligation as a result of past events; it is probable that an outflow of resources will be required to settle the obligation and the amount has been reliably estimated. Provisions are not recognised for future operating losses.

Provisions are measured at the present value of the expenditures expected to be required to settle the obligation using a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the obligation. The increase in the provision due to passage of time is recognised as interest expense.

(v) Borrowing costs

General and specific borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, which are assets that necessarily take a substantial period of time to get ready for their intended use or sale, are added to the cost of those assets, until such time as the assets are substantially ready for their intended use or sale.

Investment income earned on the temporary investment of specific borrowings pending their expenditure on qualifying assets is deducted from the borrowing costs eligible for capitalisation.

All other borrowing costs are recognised in profit or loss in the period in which they are incurred.

(w) Related party transactions

The Group discloses the nature, volume and amounts outstanding at the end of each financial year from transactions with related parties, which include transactions with the directors, executive officers and Group or related companies. The related party transactions are at arm's length.

(x) Earnings per share and investments in subsidiaries

Earnings per share

Basic and diluted earnings per share (EPS) data for ordinary shares are presented in the Financial Statements. Basic EPS is calculated by dividing the profit or loss attributable to ordinary shareholders of the Group by the weighted average number of ordinary shares outstanding during the period. Diluted EPS is determined by adjusting the profit or loss attributable to ordinary shareholders and the weighted average number of ordinary shares outstanding for the effects of all dilutive potential ordinary shares, if any.

Investments in subsidiaries

Investments in subsidiaries are carried in the Company's statement of financial position at cost, less provision for impairment losses. Where, in the opinion of the directors', there has been impairment in the value of the investment, the loss is recognised as an expense in the period in which the impairment is identified. On disposal of an investment, the difference between the net disposal proceeds and the carrying amount is charged or credited to profit or loss.

Dividends receivable from subsidiaries are recognised as income for the Company in the period in which the right to receive payments is established.

Notes (continued)

2. Summary of significant accounting policies (continued)

(x) Earnings per share and investments in subsidiaries (continued)

Earnings per share (continued)

(y) Finance income and finance costs

Finance income comprises interest income on funds invested (including available-for-sale financial assets), dividend income, gains on the disposal of available-for-sale financial assets and changes in the fair value of financial assets at fair value through profit or loss. Interest income is recognised as it accrues in profit or loss, using the effective interest method. Dividend income is recognised in profit or loss on the date that the Group's right to receive payment is established, which in the case of quoted securities is the ex-dividend date.

Finance costs comprise interest expense on borrowings, unwinding of the discount on provisions, changes in the fair value of financial assets at fair value through profit or loss, impairment losses recognised on financial assets. Borrowing costs that are not directly attributable to the acquisition, construction or production of a qualifying asset are recognised in profit or loss using the effective interest method.

Foreign currency gains and losses are reported on a net basis.

(z) Comparatives

Where necessary, comparatives have been adjusted to conform to changes in presentation in the current year.

3. Changes in significant accounting policy

The Group adopted a number of new standards are also effective from 1 January 2021 but they do not have a material effect on the Company's Financial Statements.

The details of the new standards are set out in Note 2(b).

4. Critical accounting estimates and judgements

Estimates and judgements are continually evaluated and are based on historical experience and other factors, including experience of future events that are believed to be reasonable under the circumstances. The Group and Company make estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, seldom equal the related actual results. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are addressed below.

(i) Provisions and contingent liabilities

The group has provisions which are set up in the ordinary course of business and are related to general liabilities to various stakeholders. The group follows the guidance of IAS 37 to determine whether a provision is required or not.

(ii) Useful lives of property plant and equipment

Property plant and equipment are depreciated over their useful lives. The actual lives of the assets are assessed annually and may vary depending on a number of factors. Management applies judgement in determining useful lives.

(iii) Income taxes

The Company is subject to income taxes in Kenya. Significant judgment is required in determining the Company's provision for income taxes. There are many transactions and calculations for which the ultimate tax determination is uncertain during the ordinary course of business. The company recognises liabilities on the basis of amounts expected to be paid to the tax authorities. Where the final tax outcome is different from the amounts that were initially recorded, such differences will impact the income tax and deferred tax provisions in the period in which such determination is made.

5. Financial risk management

The Group and Company's activities expose them to a variety of financial risks, market risk (including currency and interest risk), credit risk and liquidity risk. The Group and Company's overall risk management programme focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on its financial performance.

Notes (continued)

5. Financial risk management (continued)

Risk management is carried out by management under policies approved by the Board of Directors. Management identifies and evaluates financial risks where applicable. The Board provides written principles for overall risk management, as well as written policies covering specific areas such as foreign exchange risk, interest rate risk, credit risk, use of derivative and non-derivative financial instruments and investing excess liquidity.

(a) Market risk

(i) Foreign exchange risk

The Group and Company operate internationally and are exposed to foreign exchange risk arising from various currency exposures, primarily with respect to the US dollar, British Pound, AED and Euro. Foreign exchange risk arises from future commercial transactions and recognised assets and liabilities that are denominated in a currency that is not the entity's functional currency. The Group manages foreign exchange risk arising from future commercial transactions and recognises assets and liabilities by regularly reviewing prices and robust working capital management. The group holds forward foreign currency contracts for this purpose. Please see note 23.

Below is a summary of the Group and Company's exposure to currency risk at their carrying amounts in Kenya shillings equivalent:

Group - 31 December 2021	**USD**	**GBP**	**EUR**	**AED**
	KSh' 000	**KSh' 000**	**KSh' 000**	**KSh' 000**
Assets				
Receivables and prepayments	2,354,464	14,770	1,532	227,450
Cash and cash equivalents	631,657	12,927	19,993	-
	2,986,121	27,697	21,525	227,450
Liabilities				
Payables and accrued expenses	(713,670)	(11,465)	(97,603)	-
	(713,670)	(11,465)	(97,603)	-
Group - 31 December 2020				
Asset				
Receivables and prepayments	2,525,522	20,438	30,822	284,586
Cash and cash equivalents	453,855	3,858	11,993	-
	2,979,377	24,296	42,815	284,586
Liabilities				
Payables and accrued expenses	(508,088)	(52,208)	-	-
	(508,088)	(52,208)	-	-

Notes (continued)

5. Financial risk management (continued)

(a) Market risk (continued)

(i) Foreign exchange risk (continued)

Company - 31 December 2021	USD KSh' 000	GBP KSh' 000	EUR KSh' 000	AED KSh' 000
Asset				
Receivables and prepayments	2,354,464	14,770	1,532	227,450
Cash and cash equivalents	631,637	12,927	19,993	-
	2,986,101	27,697	21,525	227,450
Liabilities				
Payables and accrued expenses	(678,298)	(10,415)	(99,451)	-
	(678,298)	(10,415)	(99,451)	-
Company - 31 December 2020				
Asset				
Receivables and prepayments	2,479,407	20,438	30,822	284,586
Cash and cash equivalents	453,855	3,858	11,993	-
	2,933,262	24,296	42,815	284,586
Liabilities				
Payables and accrued expenses	(508,088)	(52,208)	-	-
	(508,088)	(52,208)	-	-

The following are the exchange rates that existed at the financial year end for the following significant currencies:

Group and Company 2021

	USD	GBP	EUR	AED	ZAR	JPY
Average rates	109.68	150.85	129.68	30.81	7.09	0.98
Closing rates	113.15	153.25	128.67	29.85	7.42	1.00

Group and Company 2020

	USD	GBP	EUR	AED	ZAR	JPY
Average rates	106.51	136.74	121.69	-	-	-
Closing rates	109.2	149.27	133.61	-	-	-

Notes (continued)

5. Financial risk management (continued)

(a) Market risk (continued)

(i) Foreign exchange risk (continued)

The following sensitivity analysis shows how profit or loss and equity would change if the market risk variables had been different at the reporting period with all other variables held constant.

Group	2021 KSh' 000	2020 KSh' 000
Currency – USD		
10% movement effect (higher/lower)	227,245	247,129
Currency – GBP		
10% movement effect (higher/lower)	1,623	2,791
Currency – EUR		
10% movement effect (higher/lower)	7,608	4,281
Currency – AED		
10% movement effect (higher/lower)	22,745	28,459
Currency – ZAR		
10% movement effect (higher/lower)	31,991	-
Currency – JPY		
10% movement effect (higher/lower)	959	-

Company	2021 KSh' 000	2020 KSh' 000
Currency – USD		
10% movement effect (higher/lower)	228,327	242,517
Currency – GBP		
10% movement effect (higher/lower)	1,700	2,791
Currency – EUR		
10% movement effect (higher/lower)	7,425	4,281
Currency – AED		
10% movement effect (higher/lower)	22,745	28,459
Currency – ZAR		
10% movement effect (higher/lower)	31,991	-
Currency – JPY		
10% movement effect (higher/lower)	959	-

Notes (continued)

5. Financial risk management (continued)

(a) Market risk (continued)

(i) Foreign exchange risk (continued)

The following table shows the maturity periods for the cash flows associated with derivative financial instruments and the expected impact to profit or loss on undiscounted contractual basis. These relate to the derivative financial instruments as disclosed under Note 23.

Group

	2021			2020		
Forward foreign currency contracts	**Assets KSh' 000**	**Liabilities KSh' 000**	**Total KSh' 000**	**Assets KSh' 000**	**Liabilities KSh' 000**	**Total KSh' 000**
Carrying amounts	23,136	(32,498)	(9,362)	5,043	(15,519)	(10,476)
Expected cashflows						
1-6 months	22,473	(21,682)	791	5,043	(6,944)	(1,901)
7-12 months	663	(10,816)	(10,153)	-	(8,575)	(8,575)
More than 1 year				-	-	-
Total	**23,136**	**(32,498)**	**(9,362)**	**5,043**	**(15,519)**	**(10,476)**

Company

Forward foreign currency contracts	**Assets KSh' 000**	**Liabilities KSh' 000**	**Total KSh' 000**	**Assets KSh' 000**	**Liabilities KSh' 000**	**Total KSh' 000**
Carrying amounts	23,136	(32,498)	(9,362)	5,043	(15,519)	(10,476)
Expected cashflows						
1-6 months	22,473	(21,682)	791	5,043	(6,944)	(1,901)
7-12 months	663	(10,816)	(10,153)	-	(8,575)	(8,575)
More than 1 year				-	-	-
Total	**23,136**	**(32,498)**	**(9,362)**	**5,043**	**(15,519)**	**(10,476)**

Price risk

The Group and the Company are not exposed to equity securities price risk.

Cash flow and fair value interest rate risk

The Group and Company's interest rate risk arises from long-term borrowings. Borrowings issued at variable rates expose the Group and Company to cash flow interest rate risk which is partially offset by cash held at variable rates. The Group and Company regularly monitor financing options available to ensure optimum interest rates are obtained. At 31 December 2021, an increase/decrease of 1% would have resulted in insignificant change (2020: insignificant) in Group and Company post tax profit.

(b) Credit risk

Credit risk is managed on a Group basis. Credit risk arises from deposits with banks, amounts due from related parties, derivative financial instruments as well as trade and other receivables. Neither the Group nor the Company has any significant concentrations of credit risk. Credit risk is the risk that a counterparty will default on its contractual obligations resulting in financial loss to the Group and Company.

Notes (continued)

5. Financial risk management (continued)

(b) Credit risk (continued)

For banks and financial institutions, only reputable well-established financial institutions are accepted. For trade receivables, Group management assesses the credit quality of each customer, taking into account its financial position, past experience and other factors. The utilisation of credit limits is regularly monitored and management expects minimal losses from non-performance by these counterparties.

The amount that best represents the Group and Company's maximum exposure to credit risk at 31 December 2021 and 31 December 2020 is made up as follows:

	Group		Company	
	2021 KSh' 000	2020 KSh' 000	2021 KSh' 000	2020 KSh' 000
Cash and cash equivalents	3,028,755	1,884,392	3,028,738	1,884,539
Amounts due from related parties	2,668,584	2,937,352	2,668,584	2,937,352
Trade and other receivables	1,278,998	1,335,565	522,034	501,577
Derivative financial instruments	23,136	5,043	23,136	5,043
	6,999,473	**6,162,352**	**6,242,492**	**5,328,511**

All receivables that are neither past due nor impaired are within their approved credit limits, and no receivables have had their terms renegotiated.

Expected credit loss (ECL) assessment as at 1 January and 31 December 2021

The Group uses a provision matrix to measure the ECLs of trade receivables from customers and farmers. The loss rates are calculated using a 'roll rate' method based on the probability of a receivable progressing through successive stages of delinquency to write-off. Roll rates are calculated separately for exposures in different segments based on common credit risk characteristics and customers.

For Intercompany receivables, the Group has calculated the ECL based on a factor of the following: probability of default, exposure at default and the loss given default. The probability of default is based on the average loss rate for the past 6 years with an adjustment for forward looking information.

The following table provides information about the exposure to credit risk and ECLs for trade receivables, loans and advances to farmers and intercompany receivables as at 31 December 2021 and 2020.

Group - As at December 31,2021

Aging bucket	Loss rate KSh' 000	Carrying amount KSh' 000	Loss allowance KSh' 000	Credit impaired KSh' 000
		KSh'000	KSh'000	
Current (not past due, 0–3 days)	-	919,100		No
4–30 days past due	2.01%	26,383	530	No
31–60 days past due	3.91%	33,334	1,303	No
61–90 days past due	5.82%	-	-	No
More than 90 days past due	7.72%	-	-	No
		978,817	**1,833**	

Notes (continued)

5. Financial risk management (continued)

(b) Credit risk (continued)

Expected credit loss (ECL) assessment as at 1 January and 31 December 2021 (continued)

Company - As at December 31 2021

Aging bucket	Loss rate	Carrying amount KSh' 000	Loss allowance KSh' 000	Credit impaired
Current (not past due, 0–3 days)		-		No
4–30 days past due	2.01%	-	-	No
31–60 days past due	3.91%	-	-	No
61–90 days past due	5.82%	-	-	No
More than 90 days past due	7.72%	-	-	No
		-	**-**	

Group - As at December 31 2020

Aging bucket	Loss rate	Carrying amount KSh'000	Loss allowance KSh'000	Credit impaired
Current (not past due, 0–3 days)	-	833,794	834	No
4–30 days past due	2.01%	-	-	No
31–60 days past due	3.91%	-	-	No
61–90 days past due	5.82%	-	-	No
More than 90 days past due	7.72%	-	-	No
		833,794	**834**	

Company - As at December 31 2020

Aging bucket	Loss rate	Carrying amount KSh'000	Loss allowance KSh'000	Credit impaired
Current (not past due, 0–3 days)		-		No
4–30 days past due	2.01%	-	-	No
31–60 days past due	3.91%	-	-	No
61–90 days past due	5.82%	-	-	No
More than 90 days past due	7.72%	-	-	No
		-	**-**	

Loss rates are based on actual credit loss experience over the past 7 years, current conditions plus the Group's view of economic conditions such as inflation, commercial bank interest rates and growth in the economy's gross domestic product.

(ii) Intercompany receivables

For Group and Company, the calculated ECL which represents the probability of default was 0.36% (2020: 0.36%) which considers historical experience over the last seven years, current conditions, exchange rates and country risk. This was applied to the gross outstanding amount and resulted in insignificant loss allowance for the year ended 31 December 2021 (31 December 2020: Nil).

Notes (continued)

5. Financial risk management (continued)

(b) Credit risk (continued)

(iii) Loans and advances to farmers

For Group and Company, the calculated ECL which represents the probability of default was 0.47% (2020: 0.47%) which considers historical experience over the last six years, current conditions and forecasted uninsured losses. This was applied to the gross outstanding amount and resulted in a loss allowance of KSh 12,437,215 for the year ended 31 December 2021 (31 December 2020: KSh 1,504,544).

(iv) Cash and cash equivalents

The Group and Company held cash and cash equivalents of KSh 3,028,755,462 and KSh 3,028,738,740 respectively (2020: Group KSh 1,884,391,638 and Company - KSh 1,884,539,573). The cash and cash equivalents are held with banks and financial institution counterparties, which are rated between A1 to Ba1, based on Moody's ratings.

Impairment on cash and cash equivalents has been measured on a 12-month expected credit loss basis and reflects the short maturities of the exposures. The Group considers that its cash and cash equivalents have low credit risk based on the external credit ratings of the counterparties. The impact of IFRS 9 as at 31 December 2021 and 2020 was not significant.

(v) Derivatives

The derivatives are entered into with bank and financial institution counterparties, which are rated between A1 to Baa2, based on Moody's ratings. The impact of IFRS 9 as at 31 December 2021 and 2020 was not significant.

The reduction in the loss allowance during the year is due to recoveries made. The movement in the allowance is not significant.

(c) Liquidity risk

Liquidity risk is the risk that the Group and Company will not be able to meet their financial obligations as they fall due. Prudent liquidity risk management includes maintaining sufficient cash, and the availability of funding from an adequate amount of committed credit facilities. Due to the dynamic nature of the underlying businesses, the treasury department maintains flexibility in funding by maintaining availability under committed credit lines.

Management performs cash flow forecasting and monitor rolling forecasts of the Group and Company's liquidity requirements to ensure it has sufficient cash to meet its operational needs while maintaining sufficient headroom on its undrawn committed borrowing facilities (Note 26) at all times so that the Group and Company do not breach borrowing limits or covenants (where applicable) on any of their borrowing facilities.

The Group's approach when managing liquidity is to ensure, as far as possible, that it will always have sufficient liquidity to meet its liabilities when due, without incurring unacceptable losses or risking damage to the Group's reputation.

The table below analyses the Group's and the Company's financial liabilities that will be settled on a net basis into relevant maturity groupings based on the remaining period at the statement of financial position date to the contractual maturity date. Balances due within one year are equal to their carrying amounts, as the impact of discounting is not significant. The amounts disclosed in the table below are the contractual undiscounted cash flows.

Notes (continued)

5. Financial risk management (continued)

(c) Liquidity risk (continued)

At 31 December 2021	Less than 1 year	Between 1 & 3 years
	KSh' 000	KSh' 000
Liabilities		
Borrowings	20,313	20,881
Trade and other payables	3,848,114	-
Amounts due to related parties	1,270,752	-
Derivative financial instruments	32,498	-
Total financial liabilities	**5,171,677**	**20,881**
Assets		
Cash and bank balances	3,028,755	-
Amounts due from related parties	2,668,584	-
Trade and other receivables	1,278,998	-
Derivative financial instruments	23,136	-
Total financial assets	**6,999,473**	**-**
At 31 December 2020		
Liabilities		
Borrowings	23,414	52,705
Trade and other payables	4,572,259	-
Amounts due to related parties	914,520	-
Derivative financial instruments	15,519	-
Total financial liabilities	**5,525,712**	**52,705**
Assets		
Cash and bank balances	1,884,392	-
Amounts due from related parties	2,937,352	-
Trade and other receivables	1,335,565	-
Derivative financial instruments	5,043	-
Total financial assets	**6,162,352**	

Notes (continued)

5. Financial risk management (continued)

(c) Liquidity risk (continued)

(i) Company

At 31 December 2021	Less than 1 year KSh' 000	Between 1 & 3 years KSh' 000
Liabilities		
Borrowings	19,007	20,881
Trade and other payables	2,110,583	-
Amounts due to related parties	1,248,902	-
Derivative financial instruments	32,498	-
Total financial liabilities	**3,410,990**	**20,881**
Assets		
Cash and bank balances	3,028,738	-
Amounts due from related parties	2,668,584	-
Trade and other receivables	522,034	-
Derivative financial instruments	23,136	-
Total financial assets	**6,242,492**	**-**
At 31 December 2020		
Liabilities		
Borrowings	21,471	48,425
Trade and other payables	2,960,866	-
Amounts due to related parties	883,093	-
Derivative financial instruments	15,519	-
Total financial liabilities	**3,880,949**	**48,425**
Assets		
Cash and bank balances	1,884,539	-
Amounts due from related parties	2,937,352	-
Trade and other receivables	501,577	-
Derivative financial instruments	5,043	-
Total financial assets	**5,328,511**	

For both Group and Company, there are no financial assets or liabilities older than 3 years.

(d) Capital risk management

Capital comprises all components of equity as shown in the statement of changes in equity plus net debt. The Group's and Company's objectives when managing capital are to safeguard the Group's and Company's ability to continue as a going concern in order to provide returns for shareholders and to maintain an optimal capital structure to reduce the cost of capital. In order to maintain or adjust the capital structure, the Group may adjust the amount of dividends paid to shareholders, issue new capital or sell assets to reduce debt.

Notes (continued)

5. Financial risk management (continued)

(d) Capital risk management (continued)

The Group monitors capital on the basis of the gearing ratio. This ratio is calculated as net debt divided by total capital. Net debt is calculated as total borrowings less cash and cash equivalents. Total capital is calculated as equity plus net debt.

	Group		Company	
	2021	2020	2021	2020
	KSh' 000	KSh' 000	KSh' 000	KSh' 000
Total borrowings	39,978	67,557	38,672	62,149
Less: cash and cash equivalents	(3,028,755)	(1,884,392)	(3,028,738)	(1,884,539)
Net debt	(2,988,777)	(1,816,835)	(2,990,066)	(1,822,390)
Total equity	14,974,368	11,856,065	14,974,368	11,856,065
Total capital	**11,985,591**	**10,039,230**	**11,984,302**	**10,033,675**
Gearing ratio	(25%)	(18%)	(25%)	(18%)

Financial instruments by category

Financial assets:

All of the Group and Company's financial assets are classified as loans and receivables and comprise:

	Group		Company	
	2021	2020	2021	2020
	KSh' 000	KSh' 000	KSh' 000	KSh' 000
Trade and other receivables (excluding pre-payments)	3,947,582	4,272,917	3,190,618	3,438,929
Cash and cash equivalents	3,028,755	1,884,392	3,028,738	1,884,539
Derivative financial instruments	23,136	5,043	23,136	5,043
	6,999,473	**6,162,352**	**6,242,492**	**5,328,511**

Financial liabilities:

All of the Group and Company's financial liabilities are classified as liabilities at amortised cost and comprise:

	Group		Company	
	2021 KSh' 000	2020 KSh' 000	2021 KSh' 000	2020 KSh' 000
Trade and other payables (excluding statutory liabilities)	5,118,866	5,486,780	3,359,485	3,843,959
Borrowings	39,979	67,557	38,672	62,149
Derivative financial instruments	32,498	15,519	32,498	15,519
	5,191,343	**5,569,856**	**3,430,655**	**3,921,627**

Notes (continued)

(e) Fair value

A number of the Group's accounting policies and disclosures require the determination of fair values, for both financial and non-financial assets and liabilities. Below is the fair value measurements disclosure using a three-level fair value hierarchy that reflects the significance of the inputs used in determining the measurements. It should be noted that these disclosure only cover instruments measured at fair value.

Level 1

Included in level 1 category are financial assets and liabilities that are measured in whole or in part by reference to published quotes in an active market. A financial instrument is regarded as quoted in an active market if quoted prices are readily and regularly available from an exchange, dealer, broker, industry group, pricing service or regulatory agency and those prices represent actual and regularly occurring market transactions on an arm's length basis.

Level 2

Included in level 2 category are financial assets and liabilities measured using inputs other than quoted prices included within level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices). For example, instruments measured using a valuation technique based on assumptions that are supported by prices from observable current market transactions are categorised as level 2. Financial assets and liabilities measured using a valuation technique based on assumptions that are supported by prices from observable current market transactions are assets and liabilities for which pricing is obtained via pricing services, but where prices have not been determined in an active market, financial assets with fair values based on broker quotes, investments in private equity funds with fair values obtained via fund managers and assets that are valued using the Group's own models whereby the majority of assumptions are market observable.

Level 3

Financial assets and liabilities measured using inputs that are not based on observable market data are categorised as level 3. Non market observable inputs means that fair values are determined in whole or in part using a valuation technique (model) based on assumptions that are neither supported by prices from observable current market transactions in the same instrument nor are they based on available market data. Valuation techniques are used to the extent that observable inputs are not available, thereby allowing for situations for which there is little, if any, market activity for the asset or liability at the measurement date. However, the fair value measurement objective remains the same, that is, an exit price from the perspective of the Group. Therefore, unobservable inputs reflect the Group's and Company's own assumptions about the assumptions that market participants would use in pricing the asset or liability (including assumptions about risk). These inputs are developed based on the best information available, which might include the Group's own data. However, significant portion of the unquoted shares have been valued at cost and variation in inputs would not have significant fair value change.

The following table shows an analysis of non-financial assets held at fair value as at 31 December 2021 and 31 December 2020:

	Group		Company	
	2021 KSh' 000	2020 KSh' 000	2021 KSh' 000	2020 KSh' 000
Property, plant and equipment	12,115,009	10,481,820	10,605,134	8,973,723
Forward exchange contracts (Note 23)	23,136	5,043	23,136	5,043
Total assets	**12,138,145**	**10,486,863**	**10,628,270**	**8,978,766**

Notes (continued)

6. Segment information

The Managing Director is the Group's chief operating decision-maker. The Managing Director considers the business from a geographic and product perspective. Geographically, management considers the performance in Local Sales and Export Sales. From a product perspective, management considers sales of cigarettes and cut rag (semi-processed tobacco). All the products are manufactured through the same process and in the same location. The group is considered as one reportable operating segment.

	Group	
Analysis of net revenue by geography:	**2021 KSh' 000**	**2020 KSh' 000**
Local sales	12,491,301	11,607,683
Export sales	12,936,068	13,731,554
	25,427,369	**25,339,237**
Analysis of net revenue by product:		
Sale of cigarettes	22,952,049	21,933,478
Sale of cut rag	2,475,320	3,405,759
	25,427,369	**25,339,237**

7. Raw materials and manufacturing costs

	Group	
Analysis of net revenue by geography:	**2021 KSh' 000**	**2020 KSh' 000**
Raw materials, consumables and other manufacturing costs*	12,564,826	13,878,426
Depreciation of property, plant and equipment	453,106	407,613
Impairment of property, plant and equipment	(22,083)	320,364
	12,995,849	**14,606,403**

**Raw materials, consumables and other manufacturing costs include employee expenses of KSh 1,340,956,000 (2020: KSh 1,084,661,000)*

8. Marketing and distribution costs

	Group	
	2021 KSh' 000	**2020 KSh' 000**
Employment expenses	469,052	475,476
Depreciation	29,606	25,149
Freight and other expenses	818,450	1,237,680
	1,317,108	**1,738,305**

Notes (continued)

9. Administration and other expenses

	Group	
	2021 KSh' 000	2020 KSh' 000
Employment expenses	738,932	749,052
Recharges and other expenses	888,303	487,834
Depreciation	107,811	101,903
Employee reorganisation costs	164,257	198,362
	1,899,303	**1,537,151**

10. Finance costs

	Group		Company	
	2021 KSh' 000	2020 KSh' 000	2021 KSh' 000	2020 KSh' 000
Interest income	(3,791)	(3,572)	(3,791)	(3,572)
Interest expense	105,356	177,826	105,168	177,378
Interest on lease liabilities	4,433	14,206	4,200	12,084
Net foreign currency exchange (gains)/losses	(24,382)	(15,270)	(24,382)	(15,271)
	81,616	**173,190**	**81,195**	**170,619**

11. Profit before tax

	Group	
The following items have been charged in arriving at the profit before income tax:	2021 KSh' 000	2020 KSh' 000
Employee benefits expense (Note 12)	2,803,034	2,600,710
Auditor's remuneration	13,711	12,814
Depreciation (Note 19)	590,522	534,664
Loss on disposal	759	4,841

12. Employee benefits expense

	Group	
The following items have been charged in arriving at the profit before income tax:	2021 KSh' 000	2020 KSh' 000
Salaries and wages	2,548,940	2,309,189
Retirement benefits costs:		
- Defined contribution scheme	87,514	88,589
- National Social Security Fund (NSSF)	2,323	4,570
Employee reorganisation costs (Note 9)	164,257	198,362
	2,803,034	2,600,710

Notes (continued)

13. Income tax expense

Income tax expense	Group 2021 KSh' 000	Group 2020 KSh' 000
Current income tax		
Current tax on profits for the year	2,661,176	1,898,652
Total current tax	**2,661,176**	**1,898,652**
Deferred income tax (Note 18)		
• Deferred income tax	133,598	(415)
• Prior year under provision of deferred tax	9,864	1
Total deferred income tax	**143,462**	**(414)**
Income tax expense	**2,804,638**	**1,898,238**
The tax on the Group's profit before income tax differs from the theoretical amount that would arise using the statutory income tax rate as follows:		
Profit before income tax	9,288,018	7,415,730
Tax calculated at domestic rate applicable to profit - 30% (2020: 25%)	2,786,405	1,853,933
Tax effect of:		
Income not subject to tax	(21,498)	(34,456)
Expenses not deductible for tax purposes	30,549	72,454
Prior year over provision of deferred tax	9,864	1
Prior year under provision of current tax	(683)	6,307
Income tax expense	**2,804,638**	**1,898,238**

The tax charge relating to components of equity are as follows:

	Group 2021 KSh' 000			Group 2020 KSh' 000		
	Before tax	**Tax charge**	**After tax**	**Before tax**	**Tax charge**	**After tax**
Transfer of excess depreciation	57,285	(17,185)	40,100	40,868	(12,260)	28,608
Fair value on hedge reserve	18,637	(3,254)	15,383	41,393	(14,755)	26,638
Deferred tax on revaluation	(1,643,295)	492,989	(1,150,306)	-	-	-
	(1,567,373)	**472,550**	**(1,094,823)**	**82,261**	**(27,015)**	**55,246**

Notes (continued)

14. Earnings per share

Basic earnings per share are calculated by dividing the profit attributable to equity holders of the Company by the weighted average number of ordinary shares in issue during the year.

	2021 KSh' 000	2020 KSh' 000
Profit attributable to equity holders of the Company (KSh '000)	6,483,380	5,517,492
Weighted average number of ordinary shares in issue (thousands)	100,000	100,000
Basic earnings per share (KSh)	**64.83**	**55.17**

15. Dividends per share

During the year a final dividend in respect of the 2020 financial results of KSh 41.50 (2019: KSh 30.00) and an interim dividend of KSh 3.50 per share (2020: KSh 3.50) was declared and paid. The total dividend paid in the year is therefore KSh 45.00 per share (2020: KSh 33.50), amounting to a total of KSh 4,500,000,000 (2020: KSh 3,350,000,000).
At the annual general meeting to be held on 24 May 2022, a final dividend in respect of the year ended 31 December 2021 of KSh 50.00 per share amounting to a total of KSh 5,000,000,000 (2020: 4,150,000,000) is to be proposed. These Financial Statements do not reflect this dividend as a liability.
Payment of dividends is subject to withholding tax at a rate of either 5% or 15% depending on the residence of the respective shareholders.

16. Capital and reserves

(i) Share capital – Group and Company

	Number of shares (Thousands)	Ordinary shares KSh' 000	Share premium KSh' 000
Authorised, issued and fully paid			
Balance at beginning and end of year	100,000	1,000,000	23

The total authorised number of ordinary shares is 100,000,000 with a par value of KSh 10 per share. All issued shares are fully paid. All shares rank equally with regard to the company's residual assets. The holders of ordinary shares are entitled to receive dividends as declared from time to time and are entitled to one vote per share at meetings of the Company.

(ii) Share premium

Share premium arose when the shares of the Company were issued at a price higher than the par value.

(iii) Hedging reserve

The Company had a hedging reserve of KSh (15,383,000) as at 31 December 2021. The hedging reserve was nil as at 31 December 2020.

17. Revaluation surplus

The revaluation reserve surplus of KSh 2,837,183,000 (2020 1,726,977,000) relates to the revaluation of the Group and Company's land and buildings net of deferred income tax and is non-distributable. The movements in the revaluation surplus are set out in the Group and Company statements of changes in equity.

Notes (continued)

18. Deferred income tax

	2021 KSh' 000	2020 KSh' 000
The analysis of Group deferred tax assets and deferred liabilities is as follows		
Deferred tax assets	(190,046)	(432,397)
Deferred tax liabilities	1,919,075	1,528,229
Deferred tax liabilities (net)	1,729,029	1,095,832

Deferred income tax is calculated using the enacted income tax rate of 30% (2020:30%). The movement on the Group deferred income tax account is as follows:

	2021	2020
At start of year	1,095,832	1,111,001
Credit to statement of profit or loss and other comprehensive income	133,598	(414)
Prior year under provision of deferred tax	9,864	1
Charge/(Credit) to equity	489,735	(14,755)
At end of year	**1,729,029**	**1,095,832**

Consolidated Group deferred tax assets and liabilities and deferred income tax charge in the consolidated income statement are attributable to the following items.

Year ended 31 December 2021	1.1.2021 KSh' 000	Charged / (credited) to P&L KSh' 000	Charged / (credited) to equity KSh' 000	31.12.2021 KSh' 000
Deferred income tax liabilities				
Property, plant and equipment:				
- on historical cost basis	1,302,283	(225,686)		1,076,597
- on revaluation surpluses	737,745	(17,185)	492,989	1,213,548
- on right of use assets	7,212			7,212
Unrealised exchange gains	57,362	(39,300)		18,062
Deferred tax in respect of fair value gain on hedge reserve	12,840			12,840
	2,117,442	**(282,171)**	**492,989**	**2,328,260**
Deferred income tax assets				
Provisions for liabilities and charges	(965,763)	394,769		(570,994)
Unrealised exchange losses	(48,750)	47,300		(1,450)
Lease liabilities	9,081	(16,436)		(7,354)
Deferred tax in respect of fair value loss on hedge reserve	(16,179)	(9,864)	(3,254)	(29,297)
Prior year under provision of deferred tax	1	9,864		(9,865)
	(1,021,610)	425,633	(3,254)	(599,231)
Net deferred income tax liability	**1,095,832**	**143,462**	**489,735**	**1,729,029**

Notes (continued)

18. Deferred income tax (continued)

Year ended 31 December 2020	1.1.2021 KSh' 000	Charged / (credited) to P&L KSh' 000	Charged / (credited) to equity KSh' 000	31.12.2021 KSh' 000
Deferred income tax liabilities				
Property, plant and equipment:				
• on historical cost basis	1,355,650	(53,367)	-	1,302,283
• on revaluation surpluses	750,005	(12,260)	-	737,745
• on right of use assets	7,212	-		7,212
Unrealised exchange gains	23,555	33,807	-	57,362
Deferred tax in respect of fair value gain on hedge reserve	12,840	-	-	12,840
	2,149,262	**(31,820)**		**2,117,442**
Deferred income tax assets				
Provisions for liabilities and charges	(1,009,428)	43,665	-	(965,763)
Unrealised exchange losses	(13,241)	(35,509)	-	(48,750)
Lease liabilities	(14,168)	23,249	-	9,081
Deferred tax in respect of fair value loss on hedge reserve	(1,424)	-	(14,755)	(16,179)
Prior year under provision of deferred tax	-	1	-	1
	(1,038,261)	31,406	(14,755)	(1,021,610)
Net deferred income tax liability	**1,111,001**	**(414)**	**(14,755)**	**1,095,832**

Deferred income tax of KSh 17,185,000 (2020: KSh 12,260,000) was transferred within shareholders' equity from revaluation reserves to retained earnings. This represents deferred income tax on the difference between the actual depreciation and the equivalent depreciation based on the historical cost of currently owned property.

Notes (continued)

18. Deferred income tax (continued)

Company deferred income tax assets and liabilities are attributable to the following items:

	2021 KSh' 000	2020 KSh' 000
The analysis of Company deferred tax assets and deferred tax liabilities is as follows:		
Deferred tax liabilities (net)	**1,919,075**	**1,528,229**
Deferred income tax liabilities		
Property, plant and equipment:		
- on historical cost basis	1,019,187	1,302,283
- on revaluation surpluses	1,270,958	737,745
- on right of use assets	16,627	15,736
Unrealised exchange gains	-	56,382
Total deferred income tax liabilities	**2,306,772**	**2,112,146**
Deferred income tax assets		
Provisions for liabilities and charges	(380,495)	(532,960)
Unrealised exchange losses	(449)	(47,618)
Right of use assets	(160)	-
Deferred tax in respect of fair value loss on hedge reserve	(6,593)	(3,339)
Total deferred income tax assets	**(387,697)**	**(583,917)**
Net deferred income tax liability	**1,919,075**	**1,528,229**

Notes (continued)

19. Property, plant and equipment – Group

Year ended 31 December 2021	Land and buildings KSh' 000	Plant and machinery KSh' 000	Vehicles and equipment KSh' 000	Construction in progress* KSh' 000	Total KSh' 000
Opening net book amount	4,170,450	4,093,353	266,618	1,951,399	10,481,820
Additions	36,386	77,636	50,793	405,299	570,114
Revaluation gain	1,643,295	-	-	-	1,643,295
Disposals					
• Cost	(801)	(1,080)	(74,543)	-	(76,424)
• Accumulated depreciation	801	1,031	73,833	-	75,665
Reversal of impairment loss	-	22,083	-	-	22,083
Depreciation charge	(117,400)	(349,639)	(123,483)	-	(590,522)
Transfer to lease liability	(8,159)	-	(2,863)	-	(11,022)
Transfers	19,056	267,619	50,163	(336,838)	-
Closing net book amount	**5,743,628**	**4,111,003**	**240,518**	**2,019,860**	**12,115,009**
At 31 December 2021					
Cost or valuation	7,151,570	10,490,740	1,296,391	2,019,860	20,958,561
Accumulated depreciation	(1,407,942)	(6,379,737)	(1,055,873)	-	(8,843,552)
Net book amount	**5,743,628**	**4,111,003**	**240,518**	**2,019,860**	**12,115,009**

Year ended 31 December 2020					
Opening net book amount	4,032,371	4,456,682	292,888	1,315,925	10,097,866
Additions	-	279,184	11,429	1,001,000	1,291,613
Disposals					
• Cost	-	(4,193)	(11,786)	-	(15,979)
• Accumulated depreciation	-	3,619	5,140	-	8,759
Impairment	-	(320,364)	-	-	(320,364)
Depreciation charge	(90,459)	(346,799)	(97,406)	-	(534,664)
Transfer to lease liability	(34,525)	-	(10,886)		(45,411)
Transfers	263,063	25,224	77,239	(365,526)	-
Closing net book amount	**4,170,450**	**4,093,353**	**266,618**	**1,951,399**	**10,481,820**
At 31 December 2020					
Cost or valuation	5,461,793	10,146,565	1,272,841	1,951,399	18,832,598
Accumulated depreciation	(1,291,343)	(6,053,212)	(1,006,223)	-	(8,350,778)
Net book amount	**4,170,450**	**4,093,353**	**266,618**	**1,951,399**	**10,481,820**

*Construction in progress relates to factory buildings under construction and plant and machinery under installation at the year end. As at 31 December 2021, property, plant and equipment includes right of use assets of KSh 39,478,000 (2020 – KSh 95,962,000) related to leased properties (see Note 28).

Notes (continued)

19. Property, plant and equipment – Company

Period ended 31 December 2021	Land and buildings	Plant and machinery	Vehicles and equipment	Construction in progress*	Total
	KSh' 000	KSh' 000	KSh' 000	KSh' 000	KSh' 000
Opening net book amount	4,164,650	4,093,353	265,150	450,570	8,973,723
Additions	36,386	77,636	50,794	396,821	561,637
Revaluation gain	1,643,295	-	-	-	1,643,295
Disposals					
- Cost	(1,080)	-	(51,609)	-	(52,689)
- Accumulated depreciation	1,031	-	50,899	-	51,930
Reversal of impairment loss	-	22,083	-	-	22,081
Depreciation charge	(114,490)	(349,639)	(123,483)	-	(587,612)
Transfer to lease liability	(5,838)	-	(1,395)	-	(7,231)
Transfers	19,056	267,619	50,163	(336,838)	-
Closing net book amount	**5,743,010**	**4,111,052**	**240,519**	**510,553**	**10,605,134**
At 31 December 2021					
Cost or valuation	7,147,452	10,491,820	1,314,495	510,553	19,464,320
Accumulated depreciation	(1,404,442)	(6,380,768)	(1,073,976)	-	(8,859,186)
Net book amount	**5,743,010**	**4,111,052**	**240,519**	**510,553**	**10,605,134**
Period ended 31 December 2020					
Opening net book amount	4,020,625	4,456,682	280,594	452,001	9,209,902
Additions	-	279,184	11,429	364,095	654,708
Disposals/impairment					
- Cost	-	(4,193)	(11,786)	-	(15,979)
- Accumulated depreciation	-	3,619	5,140	-	8,759
Impairment	-	(320,364)	-	-	(320,364)
Depreciation charge	(90,339)	(346,799)	(96,672)	-	(533,810)
Transfer to lease liability	(28,699)		(794)		(29,493)
Transfers	263,063	25,224	77,239	(365,526)	-
Closing net book amount	**4,164,650**	**4,093,353**	**265,150**	**450,570**	**8,973,723**
At 31 December 2020					
Cost or valuation	5,455,633	10,146,565	1,266,542	450,570	17,319,310
Accumulated depreciation	(1,290,983)	(6,053,212)	(1,001,392)	-	(8,345,587)
Net book amount	**4,164,650**	**4,093,353**	**265,150**	**450,570**	**8,973,723**

*Construction in progress relates to factory buildings under construction and plant and machinery under installation at the year end. As at 31 December 2021, property, plant and equipment includes right of use assets of KSh 38,112,000 (2020: KSh 95,962,000) related to leased properties (see Note 28).

Notes (continued)

In 2021 Knight Frank Valuers Limited, professionally valued the Group's and Company's land and buildings. The valuation was on an open market value basis.

The valuer used the comparable method of valuation for valuation of land. This is defined as a set of procedures in which a valuer derives the value by comparing the property being valued to similar properties that have recently been sold applying appropriate units of comparison and making adjustments to the sale prices of the comparable sales. The technique is based on the principal of substitution which states that the value of a property tends to be set by the price that would be paid to acquire a substitute property of similar utility and desirability within a reasonable amount of time. The fair value measurement of revalued items of land has been categorized as a level 2 fair value based on the inputs to the valuation techniques. Buildings were valued on the basis of Depreciated Replacement Cost (Private Sector) which is defined as the Current Gross Replacement Cost of the improvements, less allowance for physical deterioration and all relevant forms of obsolescence and optimisation. The fair value measurement of revalued items of buildings has been categorized as a level 3 fair value based on the inputs to the valuation techniques. Significant unobservable inputs which would cause variations in estimated fair value would include; risk-adjusted discount rate increase (decrease), shorter (longer) void periods and surrounding infrastructural developments (deteriorations).

If the land and buildings were stated on the historical cost basis, the amounts would be as follows:

	2021 KSh' 000	2020 KSh' 000
Cost	2,261,497	2,051,115
Accumulated depreciation	(567,623)	(482,488)
Net book amount	**1,693,874**	**1,568,627**

There are no assets that have been pledged as collateral for loans.

Subsidiary	Principal activity	Cost KSh'000
BAT Kenya Tobacco Company Limited	Selling of cigarettes	12,000
East Africa Tobacco Company (Kenya) Limited	Dormant	-
	Totals	12,000

21. Inventories

	Group		Company	
	2021 KSh' 000	2020 KSh' 000	2021 KSh' 000	2020 KSh' 000
Raw materials and consumables	2,831,027	3,002,383	2,813,325	2,976,823
Finished goods	1,028,610	701,585	985,709	642,566
	3,859,637	**3,703,968**	**3,799,034**	**3,619,389**

Notes (continued)

22. Receivables and repayments

	Group		Company	
	2021	2020	2021	2020
	KSh' 000	KSh' 000	KSh' 000	KSh' 000
Trade receivables	978,817	833,794	-	-
Other receivables	300,181	501,771	522,034	501,577
Prepayments	419,496	443,014	392,641	351,341
Due from related parties	2,668,584	2,937,352	2,668,584	2,937,352
	4,367,078	**4,715,931**	**3,583,259**	**3,790,270**

The carrying amounts of the above receivables and prepayments approximate their fair values.

23. Derivative financial instruments – Group and Company

The fair values of derivatives are determined based on market data (primarily yield curves, implied volatilities and exchange rates) to calculate the present value of all estimated flows associated with each derivative at the balance sheet date. In the absence of sufficient market data, fair value is based on the quoted market price of similar derivatives. The fair value measurement has been categorized as level two based on the inputs to the valuation techniques.

	Group		Company	
	2021	2020	2021	2020
	KSh' 000	KSh' 000	KSh' 000	KSh' 000
Forward foreign currency contracts	23,136	32,498	5,043	15,519
Current	22,473	21,682	5,043	15,519
Non-current	**663**	**10,816**	**-**	**-**
	23,136	**32,498**	**5,043**	**15,519**

These derivatives principally consist of forward foreign currency contracts which have been designated as hedges due to their value changes offsetting with other components of net finance costs relating to financial assets and financial liabilities. The derivatives are undertaken for risk management purposes.

24. Cash and cash equivalents

	Group		Company	
	2021	2020	2021	2020
	KSh' 000	KSh' 000	KSh' 000	KSh' 000
Cash at bank	**3,028,755**	**1,884,392**	**3,028,738**	**1,884,539**

For the purposes of the cash flow statement, cash and cash equivalents comprise the following:

	Group		Company	
	2021	2020	2021	2020
	KSh' 000	KSh' 000	KSh' 000	KSh' 000
Cash at bank	3,028,755	1,884,540	3,028,738	1,884,539
Bank overdrafts (Note 26)	-	(148)	-	-
	3,028,755	1,884,392	3,028,738	1,884,539

Notes (continued)

25. Payables and accrued expenses

	Group		Company	
	2021	2020	2021	2020
	KSh' 000	KSh' 000	KSh' 000	KSh' 000
Trade payables	1,608,167	2,324,220	1,207,213	2,035,577
Statutory payables	651,436	749,130	582,891	645,330
Due to related companies	1,270,752	914,520	1,248,902	883,093
Other payables and accrued expenses	2,239,947	2,248,039	903,370	925,289
	5,770,302	**6,235,909**	**3,942,378**	**4,489,289**

26. Borrowings

The lease liabilities relate to lease arrangements that the group has entered into for warehouses, vehicles and office premises for administrative, marketing and distribution teams in the ordinary course of business. The movement in borrowings is as follows;

	Group		Company	
	2021	2020	2021	2020
	KSh' 000	KSh' 000	KSh' 000	KSh' 000
Non-current				
Lease liabilities	19,665	48,135	19,665	44,171
	19,665	**48,135**	**19,665**	**44,171**
Current				
Bank overdrafts	-	148	-	-
Lease liabilities	**20,313**	**19,422**	**19,007**	**17,978**
	20,313	**19,570**	**19,007**	**17,978**

The lease liabilities relate to lease arrangements that the group has entered into for warehouses, vehicles and office premises for administrative, marketing and distribution teams in the ordinary course of business.

	Group		Company	
	2021	2020	2021	2020
	KSh' 000	188,601	KSh' 000	KSh' 000
Opening balance	67,556	(45,411)	62,149	161,732
Lease liability reclassification	(11,022)	(46,085)	(7,233)	(29,493)
Lease liability disposals	-	(43,754)	-	(46,085)
Payment of lease liabilities	(20,989)	14,206	(20,444)	(36,089)
Interest expense	4,433	14,206	4,200	12,084
Closing Balance	**39,978**	**67,557**	**38,672**	**62,149**

Notes (continued)

26. Borrowings (continued)

The Group and Company have the following undrawn borrowing facilities:

The facilities are open ended. Bond guarantees are issued in favour of the Kenya Revenue Authority to cover import duty and excise payable.

	2021	2020
	KSh' 000	KSh' 000
Overdraft and short-term loan facilities bonds and guarantees	9,004,000	8,614,084
	9,004,000	**8,614,084**

27. Current tax movement

	Group		Company	
	2021	2020	2021	2020
	KSh' 000	KSh' 000	KSh' 000	KSh' 000
Opening income tax asset	**258,890**	**(339,818)**	**482,301**	**377,026**
Charge to statement of profit or loss and other comprehensive income	(2,661,176)	(1,898,652)	(249,842)	(344,328)
Income tax paid	2,234,312	2,497,361	302,698	449,603
Closing income tax asset/(liability)	**(167,973)**	**258,890**	**535,157**	**482,301**
Current asset	535,157	482,301	535,157	482,301
Current liability	(703,130)	(223,411)	-	-
Closing income tax asset/(liability)	**(167,973)**	**258,890**	**535,157**	**482,301**

28. Leases

The Group leases warehouses, offices, vehicles and furniture. The leases typically run for a period ranging between 5-9 years. For certain leases, the Group is restricted from entering into any sub-lease arrangements. Information about leases for which the Group is a lessee is presented below.

(i) Right-of-use assets

Right -of-use assets related to leased properties that do not meet the definition of investment property are presented as property, plant and equipment.

Group 2021	Land and buildings KSh' 000	Vehicles and equipment KSh' 000	Total KSh' 000
Balance as at 1 January	**15,328**	**87,900**	**103,228**
Additions to right-of-use assets	-	17,114	17,114
Depreciation charge for the year	(2,910)	(22,500)	(25,410)
Derecognition of right-of-use assets	(11,052)	(44,402)	(55,454)
Balance as at 31 December	**1,366**	**38,112**	**39,478**

Notes (continued)

28. Leases (continued)

(i) Right-of-use assets (continued)

Group 2020	Land and buildings KSh' 000	Vehicles and equipment KSh' 000	Total KSh' 000
Balance as at 1 January	50,627	114,787	165,414
Additions to right-of-use assets	-	-	-
Depreciation charge for the year	(774)	(16,001)	(16,775)
Derecognition of right-of-use assets	(34,525)	(10,886)	(45,411)
Balance as at 31 December	**15,328**	**87,900**	**103,228**

Company 2021	Land and buildings KSh' 000	Vehicles and equipment KSh' 000	Total KSh' 000
Balance as at 1 January	9,529	86,433	95,962
Additions to right-of-use assets		17,114	17,114
Depreciation charge for the year		(21,033)	(21,033)
Derecognition of right-of-use assets	(9,529)	(44,402)	(53,931)
Balance as at 31 December	**-**	**38,112**	**38,112**
2020			
Balance as at 1 January	**38,881**	**102,494**	**141,375**
Additions to right-of-use assets	-	-	-
Depreciation charge for the year	(653)	(15,267)	(15,920)
Derecognition of right-of-use assets	(28,699)	(794)	(29,493)
Balance as at 31 December	**9,529**	**86,433**	**95,962**

(ii) Amounts recognised in profit or loss

	Group		Company	
	2021 KSh' 000	2020 KSh' 000	2021 KSh' 000	2020 KSh' 000
Lease under IFRS 16				
Interest on lease liability	4,433	14,206	4,200	12,084

(iii) Amounts recognised in cash flows

	Group		Company	
	2021 KSh' 000	2020 KSh' 000	2021 KSh' 000	2020 KSh' 000
Lease under IFRS 16				
Total cash outflows for leases	20,989	43,754	20,444	36,089

Renewal and cancelation options

Vehicle leases contain options exercisable by the Group to end the lease contract before contract period elapses. In the current period, there were no extension options applied.

Notes (continued)

29. Provisions for liabilities and charges

	Group	Company
Year ended 31 December 2021	**KSh' 000**	**KSh' 000**
At start of year	1,779,162	816,014
Additional provisions	258,732	258,732
Unused amounts reversed	(1,358,427)	(395,279)
Utilised during the year	-	-
At end of year	**679,467**	**679,467**
Year ended 31 December 2020	**KSh' 000**	**KSh' 000**
At start of year	1,737,296	700,993
Additional provisions	1,037,793	285,480
Unused amounts reversed	(843,827)	(18,359)
Utilized during the year	(152,100)	(152,100)
At end of year	**1,779,162**	**816,014**

Provisions comprise balances set up in the ordinary course of business and are related to general liabilities to various stakeholders. These mainly comprise litigations and legal claims made against the Group and Company by various stakeholders. The information usually required by IAS 37 Provisions, Contingent Liabilities and Contingent Assets is not disclosed on the grounds that it can be expected to prejudice seriously the outcome of these litigations and claims. The Group and Company have recognised a provision for present obligations where the payments are probable and amounts can be estimated reliably.

Notes (continued)

30. Cash generated from operations

(a) Reconciliation of profit before taxation cash generated from operations

Group	2021 KSh' 000	2020 KSh' 000
Profit before taxation	**9,288,018**	**7,415,730**
Adjustments for:		
Depreciation (Note 19)	590,522	534,664
Impairment (Note 19)	(22,083)	320,364
Loss/(profit) on disposal of property, plant and equipment	759	(4,841)
Interest income (Note 10)	(3,791)	(3,572)
Interest expense (Note 10)	105,356	177,826
Interest on lease liabilities (Note 10)	4,433	14,206
Disposal of lease liabilities (Note 26)	-	(46,085)
Fair value loss on ineffective derivatives	(19,753)	7,139
Changes in working capital:		
• inventories	(155,669)	1,692,491
• receivables and prepayments	348,853	(1,092,375)
• payables and accrued expenses	(465,607)	(1,639,543)
• provisions for liabilities and charges	(1,099,695)	41,866
Cashflows from operations	**8,571,343**	**7,417,870**

Company	2021 KSh' 000	2020 KSh' 000
Profit before taxation	**443,174**	**688,020**
Adjustments for:		
Depreciation (Note 19)	587,612	533,810
Impairment (Note 19)	(22,083)	320,364
Profit/(loss) on disposal of property, plant and equipment	759	(4,841)
Interest income (Note 10)	(3,791)	(3,572)
Interest expense (Note 10)	105,168	177,378
Interest on lease liabilities (Note 10)	4,200	12,084
Disposal of lease liabilities (Note 28)	-	(46,085)
Fair value loss on ineffective derivatives	(19,752)	7,139
Changes in working capital:		
• inventories	(179,645)	1,695,637
• receivables and prepayments	207,011	(2,138,324)
• payables and accrued expenses	(546,910)	(1,649,958)
• provisions for liabilities and charges	(136,547)	115,021
Cashflows from operations	**439,196**	**(293,327)**

Notes (continued)

31. Related party transactions

The Group is controlled by British American Tobacco Plc incorporated in England and Wales, which is also the ultimate parent of the Group. There are other companies that are related to British American Tobacco Kenya plc through common shareholdings or common directorships. The Company has an operating subsidiary, BAT Kenya Tobacco Company Limited.

The following transactions were carried out with related parties.

	Group		Company	
	2021 KSh' 000	2020 KSh' 000	2021 KSh' 000	2020 KSh' 000
(i) Sale of goods and services				
Subsidiary	-	-	15,891,450	14,916,190
Other related parties	9,531,402	11,229,438	9,531,402	11,229,438
	9,531,402	11,229,438	25,422,852	26,145,628
(ii) Purchase of goods and services				
Parent company	393,103	502,293	311,697	443,510
Other related parties	1,286,400	1,656,442	512,206	1,715,225
	1,679,503	2,158,735	823,903	2,158,735
(iii) Outstanding balances arising from sale and purchase of goods/services				
Receivables from other related parties	2,668,584	2,937,352	2,668,584	2,937,352
Payables to the parent company	39,846	41,132	39,846	41,132
Other related parties	1,230,906	873,388	1,209,056	841,961
	1,270,752	914,520	1,248,902	883,093

The amounts outstanding are unsecured and will be settled in cash. No interest is charged on outstanding balances and no guarantees have been given or received.

	2021 KSh' 000	2020 KSh' 000
(iv) Key management compensation		
Salaries and other short-term employment benefits	140,424	114,372
Other long-term benefits	174,054	95,706
	314,478	210,078
(v) Directors' remuneration		
Fees for services as a director	22,467	23,551
Other emoluments (included in key management compensation above)	36,056	75,287
Total remuneration of directors of the Company	58,523	98,838

Notes (continued)

32. Contingent liabilities

The Group and Company's contingencies mainly arise from litigations and claims against the Group and Company. Given the nature of these legal cases, the Directors are of the opinion that disclosing the details of each case can be expected to prejudice seriously the position of the Group and Company with other parties. The Company has however recognised a provision for present obligations where the payments are probable and amounts can be estimated reliably. These provisions are included within note 29 to the Financial Statements.

The Group has guarantees amounting to KSh 2,439,537,703. (2020: KSh 2,467,089,039), issued on its behalf in the normal course of business from which it is anticipated that no material liabilities will arise.

33. Capital commitments

Capital expenditure contracted for at the statement of financial position date but not recognised in the Financial Statements is as follows:

	Group		Company	
	2021 KSh' 000	2020 KSh' 000	2021 KSh' 000	2020 KSh' 000
Property, plant and equipment	210,084	245,773	346,693	245,773

34. Subsequent events

At the date of approval of the Financial Statements, the Directors are not aware of any matter or circumstance arising since the end of the financial period, not otherwise dealt with in these Financial Statements, which significantly affected the financial position of the Group and results of its operations.

Principal shareholders and share distribution

Major shareholders as at 11 February 2022

Shareholder	No. of Shares	% Shareholding
Molensteegh Invest BV	60,000,000	60%
Standard chartered nominees non-resd. A/c 9866	5,914,329	5.91%
Standard chartered nominees. A/c ke003262	5,234,485	5.23%
Stanbic nominees ltd a/c nr1030824	3,455,102	3.46%
Standard chartered nominees non resd a/c ke11663	1,937,900	1.94%
Standard chartered kenya nominees ltd a/c ke23050	1,347,723	1.35%
Stanbic nominees ltd a/c nr1031461	1,214,850	1.21%
Stanbic nominees ltd a/c r6631578	965,223	0.97%
Investment & mortgages nominees ltd a/c 003746	880,000	0.88%
Investment & mortgages nominees ltd a/c 003745	880,000	0.88%
Others (5,105) shareholders	18,170,388	18.17%
TOTAL	100,000,000	100.00%

Summary of shareholders as at 11 February 2022

Shareholder	No. of shareholders	No. of Shares	% Shareholding
Foreign investors	125	82,641,958	82.69%
Local institutions	452	11,233,088	11.23%
Local individuals	4,538	6,124,954	6.08%
TOTAL	5,115	100,000,000	100.00%

Distribution of shareholders as at 11 February 2022

Shareholding	No. of shareholders	No. of Shares	% Shareholding
Less than 500	2,868	607,843	0.61
501 - 5,000	1,858	2,896,653	2.89
5,001- 10,000	152	1,112,502	1.11
10,001 - 100,000	194	5,511,415	5.51
100,001 - 1,000,000	36	10,767,198	10.78
Above 1,000,000	7	79,104,389	79.10
TOTAL	5,115	100,000,000	100.00%

Directors' Shareholding as at 11 February 2022

Director's Name	Shareholding
Sidney Wafula	300
Carol Musyoka	200
Marion G. Mwangi	603

Proxy Form

To:
The Company Secretary
British American Tobacco Kenya plc
P.O Box 30000 – 00100
Nairobi

I/We ____

Share A/c No ____

Of (Address) ____

Being a member(s) of British American Tobacco Kenya plc, hereby appoint:

____

or failing him/her, the duly appointed Chairperson of the Meeting, to be my/our proxy, to vote for me/us and on my/our behalf at the Annual General Meeting of the Company, to be held on Tuesday, 24 May 2022 and at any adjournment thereof.

As witness I/We lay my/our hand (s) this ____________ day of ____________________2022.

______________________ ______________________

(Signature) (Signature)

Please clearly mark the box below to instruct your proxy how to vote

RESOLUTION	FOR	AGAINST	ABSTAIN
1) To receive, consider and if approved, adopt the Company's audited Financial Statements for the year ended 31 December 2021, together with the reports of the Chairperson, Directors and Auditor thereon.			
2) To confirm the interim dividend of KSh. 3.50 per ordinary share paid on 16 September 2021 and approve a final dividend of KSh. 50 per ordinary share, to be paid net of Withholding Tax on or about 24 May 2022, to shareholders on the Register at the close of business on 24 April 2022.			
3) To re-elect Samuel Onyango who retires at this meeting by rotation in accordance with the provisions of Article 102 of the Company's Articles of Association and being eligible, offers himself for re-election as a Director.			
4) To re-elect Dr. Macharia Irungu who retires at this meeting by rotation in accordance with the provisions of Article 102 of the Company's Articles of Association and being eligible, offers himself for re-election as a Director.			
5) To re-elect Marion Gathoga-Mwangi who retires at this meeting by rotation in accordance with the provisions of Article 102 of the Company's Articles of Association and being eligible, offers herself for re-election as a Director.			
6) To re-elect the following Directors, being members of the Board Audit & Risk Committee, to continue to serve as members of the said Committee: Dr. Martin Oduor-Otieno, Samuel Onyango, Carol Musyoka and Marion Gathoga-Mwangi.			
7) To approve the remuneration of Directors and the Directors Remuneration Report for the year ended 31 December 2021.			
8) To re-appoint Messrs. KPMG Kenya as External Auditor of the Company by virtue of Section 721(2) of the Companies Act 2015 and authorise the Directors to fix their remuneration for the year ending 31 December 2022.			

ELECTRONIC COMMUNICATIONS CONSENT FORM

Please complete in BLOCK CAPITALS

Full name of Proxy(s): ____

____

Address: ____

____

Mobile Number [ ]

______________________ ______________________

(Date) (Signature)

Please tick **ONE** of the boxes below and return to Image Registrars at P.O. Box 9287-00100 Nairobi, 5th floor, ABSA Towers (formerly Barclays Plaza), Loita Street:

Approval of registration I/WE approve to register to participate in the virtual Annual General Meeting to be held on 24 May 2022.	
Consent for use of the mobile number provided I/WE would give my/our consent for the use of the mobile number provided for purposes of voting at the AGM.	

NOTES:

1. If a member is unable to attend personally, this Proxy Form should be completed and returned to reach the Company's share registrar, Image Registrars Limited, 5th Floor, ABSA Towers (formerly Barclays Plaza), Loita Street, P.O. Box 9287, GPO 00100, Nairobi, or via email to info@image.co.ke or BATshares@image.co.ke to arrive not later than **9:00 a.m. on 20 May, 2022** i.e. two (2) working days before the meeting or any adjournment thereof.
2. In case of a member being a corporate body, the Proxy Form must be under its common seal or under the hand of an officer or duly authorised attorney of such corporate body.
3. As a shareholder you are entitled to appoint one or more proxies to exercise all or any of your shareholder rights to attend and to speak and vote on your behalf at the meeting. The appointment of the Chairperson of the meeting as proxy has been included for convenience. To appoint as a proxy any other person, delete the words "the Chairperson of the Meeting or" and insert the full name of your proxy in the space provided. A proxy need not to be a shareholder of the Company.
4. Completion and submission of the form of proxy will not prevent you from attending the meeting and voting at the meeting in person, in which case any votes cast by your proxy will be excluded.
5. To be valid, the form of proxy should be completed, signed and delivered (together with a power of attorney or other authority (if any) under which it is assigned or a notarised certified copy of such power or authority) to: Image Registrars, ABSA Towers (formerly Barclays Plaza), 5th Floor, Loita Street; and address P.O. Box 9287-00100 Nairobi, not later than 9:00 am on 20 May 2022 or; in the case of a poll taken subsequent to the date of the meeting, or any adjourned meeting, not less than 24 hours before the time appointed for the taking of the poll which is taken more than 48 hours after the day of the meeting or adjourned meeting.
6. In the case of a company being a shareholder, then this proxy form must be executed under its common seal or signed on its behalf by an officer of that company or an authorized attorney for that company.
7. An "abstain" vote option has been included on the form of proxy. The legal effect of choosing this option on any resolution, is that you will be treated as not having voted on the relevant resolution. The number of votes in respect of which votes are withheld will, however, be counted and recorded, but disregarded in calculating the number of votes for or against each resolution.
8. The completed Form of Proxy by members must be lodged at the Share Registrar, Image Registrars Limited (IMAGE), 5th Floor ABSA Towers (formerly Barclays Plaza), Loita Street, Nairobi, or to be posted so as to reach Image Registrars Limited, P.O. Box 9287 – 00100 GPO Nairobi, or by email to info@image.co.ke or BATshares@image.co.ke not later than 9:00 a.m. on Friday, 20 May 2022, failing which it shall be invalid.
9. In case of a Corporation, the proxy must be under its common seal.

KENYA

HEAD OFFICE

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