

A Better Tomorrow™



Sustainability Report 2023



A REFINED PURPOSE FOR THE BAT GROUP

The best choice any adult smoker can make will always be quitting combustible tobacco products completely.

For the last few years, the BAT Group's aim has been to build A Better Tomorrow™. This has meant working to reduce the health impact of our business by offering adult consumers a greater choice of enjoyable and reduced-risk* products compared to cigarettes.

Now is the time to take a step forward.

BAT's New Category products are not smoking cessation devices and are not marketed for that purpose.

A Better Tomorrow™ means building A Smokeless World.

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

A world where smokers have migrated from cigarettes to smokeless alternatives.

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

A world where smokers make a switch to better.



*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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“ **Now is the time**
to take a step forward. ”



We Are BAT.

Preamble

This is the second Sustainability Report of British American Tobacco Kenya plc (BAT Kenya), covering the financial year ended 31 December 2023. While this report builds on the Company's 2022 Sustainability Report and provides a progress update on our sustainability performance in 2023, it further demonstrates our approach and commitment to continually integrate Environmental, Social, and Governance (ESG) practices in our business.

The scope of this Sustainability Report is the Company's operations in Kenya, i.e. offices, the cigarette manufacturing and commercial hub at Likoni Road in Nairobi's Industrial Area, Green Leaf Threshing Plant (GLTP) in Thika, trade, distribution and tobacco growing operations. It also addresses material aspects relating to key stakeholder groups: employees, regulators, business partners, consumers and society.

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

Cautionary Statement

The material in this Report is provided for the purpose of giving information about BAT Kenya to shareholders and other key stakeholders 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. This Report may contain forward-looking statements that are subject to risk factors associated with, amongst other things, the

changing economic and business dynamics affecting BAT Kenya's domestic 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 outcomes to differ materially from those currently anticipated.

Any forward-looking statements reflect knowledge and information available at the date of preparation of this Report and BAT undertakes no obligation to update or revise these forward-looking statements, whether because of new information, future events or otherwise. Readers are cautioned not to place undue reliance on such forward-looking statements.

This report may contain corrections and restatements of information provided in previous reports.














Statement of Use

BAT Kenya has prepared this report for the period 1 January to 31 December 2023, with reference to the Global Reporting Initiative (GRI). The report may be read alongside the BAT Kenya's 2023 Annual Report and Financial Statements (Annual Report) available on our website www.batkenya.com for a view of information contained in this Report and is linked to that in the Annual Report.

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01 BAT Kenya at a Glance

 <p>117 Years of operation in Kenya</p>	 <p>54 Years on the NSE</p>	 <p>KShs +100Bn** Taxes paid last five years</p>	 <p>2 Product categories (1 combustible & 1 smokeless)</p>	 <p>437 Direct employees (excludes contracted staff)</p>
 <p>+54Mn Trees planted since 1978</p>	 <p>1 Oral nicotine product brand</p>	 <p>+80,000 Kenyans in our value chain</p>	 <p>≈1,700 Tobacco farmers contracted in Kenya</p>	 <p>4 Cigarette brands</p>
 <p>2 Factories</p>	 <p>USD ≈100mn Annual forex generation</p>	 <p>+15 Markets served (Kenya & the region)</p>	 <p>5,142*** Local shareholders</p>	 <p>46% Women in the organisation</p>



(As at 31 December 2023)

** Taxes in form of Excise, VAT, Corporate tax, PAYE

*** as at 10 February 2024

5,142



local
shareholders

BAT Kenya is part of the BAT Group, a leading multi-category consumer goods business. BAT Group's purpose is to create A Better Tomorrow™ by building A Smokeless World.

This is anchored on reducing the health impact of our business, by offering a greater choice of less risky products* for our adult consumers. This ambition is underpinned by excellence across environment, social and governance (ESG) priorities.

BAT has a long history and rich heritage in Kenya, having started operations in the country in 1907. BAT Kenya has been listed on Nairobi Securities Exchange since 1969 and has 5,272 shareholders, of whom 5,142 are local individuals and entities.

+80,000



trade and
business
partners
supported by
our business

BAT Kenya operates a vertically integrated business which includes tobacco farming and processing, manufacturing, sale and export of cigarettes and other tobacco products, as well as nicotine products without tobacco. The Company serves as a manufacturing hub for BAT Kenya's domestic operations and export markets in East and Southern Africa and beyond.

Our business contributes to Kenya's socio-economic development in various ways, including supporting the livelihoods of over 80,000 trade and business partners and providing direct and indirect employment opportunities for over 1,800 people.

+1,800



gain direct
and indirect
employment
opportunities

Over the years, BAT Kenya has been focused on satisfying the needs of its traditional consumers - adult smokers. Today, consumer preferences are evolving. New technologies are emerging, and societal attitudes are changing. While cigarettes will be at the core of our business for some time to come, aligned to the BAT Group, we strive to make progress towards building A Smokeless World.

In line with our purpose, we will create A Better Tomorrow™ for our consumers by providing satisfying smoking alternatives that encourage them to switch to better; for society through reducing the environmental impacts of our business; for our employees by creating a dynamic and purposeful place to work; and for our shareholders by continuing to deliver sustained and superior returns.

“ Our ambition is to increasingly transition to smokeless innovative and less risky* products as an alternative to smoking. ”

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

Chairperson's Statement

It is my pleasure to present to you BAT Kenya's 2023 Sustainability Report.

Last year, we published our inaugural Report based on an international reporting framework, GRI and in line with the Nairobi Securities Exchange (NSE) ESG Disclosure Guidance Manual. This second edition demonstrates our commitment to continued transparency in communicating our sustainability performance to our stakeholders.

Progressing with purpose

As the BAT Kenya Board, a key role is to enable the Company to deliver business results in a responsible manner, for our consumers, shareholders, employees, and society.

I have been delighted to see firsthand how the Company has progressed in this realm, including how the BAT Group purpose – creating A Better Tomorrow™ - has become embedded across so many levels of the organisation since its launch in 2020.

During 2023, the BAT Group purpose underwent a refinement, resulting in a decision to provide enhanced clarity on what this means. A Better Tomorrow™ for us means that we are committed to building A Smokeless World.

This is a commitment to migrate cigarette smokers actively, sustainably, and responsibly to reduced risk* smokeless alternatives. This is ambition is anchored on BAT's environment, social and governance (ESG) priorities, all encompassed in a robust sustainability agenda.

Driving sustainability progress

Sustainability and ESG have long been an intrinsic part of BAT's DNA, and BAT Kenya is aligned to the BAT Group's strategy and purpose, which is further adapted to deliver local priorities.

As such, we report BAT Kenya's sustainability performance in this report based on the BAT Group's targets. BAT Kenya's performance report is underlined by our material topics, which include, Harm Reduction, Environmental management, Farmer livelihoods and communities, People, Diversity and culture and ethics & compliance.



Some key milestones in 2023 include improvements in our decarbonisation strategy as part of efforts to tackle climate change, where we see steady progress against the BAT Group's targets to achieve 50% reduction in Scope 1 and 2 greenhouse gas (GHG) emissions by 2030 (vs 2020 baseline), 50% reduction in Scope 3 GHG emissions by 2030 (vs 2020 baseline) and 50% renewable energy use by 2030.

From a social and governance perspective, the same trend is evident in various aspects, including human rights and ethics and integrity.

I invite you to read the details in the subsequent pages of this report.

Confidence in tomorrow

I have full confidence in our strategy which has been proven to deliver consistently for our stakeholders, and in my fellow Directors on the Board, as well as the Management of BAT Kenya.

I know that, as a team, we will continue to lead the accelerated transformation of BAT Kenya at pace. Every one of the people across the Company, including the staff and business partners, deserves huge credit for our sustainability achievements thus far.

In challenging operating circumstances punctuated by high costs of doing business in 2023, we have demonstrated resilience, dedication and an ability to adapt to change.

On behalf of the Board, I offer my thanks and look forward to sustained performance, today and for tomorrow.

Rita Kavashe
Board Chairperson

Managing Director's Overview

In an increasingly complex world, our purpose – to build A Better Tomorrow™ remains our north star.

To succeed in delivering this, we must continue to win and nurture the trust of all our stakeholders. One of the ways we do this is through our sustainability reporting, which helps drive transparency and accountability in how we do business at BAT Kenya.

I am therefore delighted to present our sustainability Report for 2023, which provides performance progress across our environment, social and governance (ESG) priorities across the Business.

Organisational culture and values

A strategy is little without the right culture to deliver it, instilled across the organisation.

A truly dynamic business is one where the people within it understand the strategic aims and the expected behaviour to achieve them. Speaking to this, the BAT Group rearticulated the organisation's values in 2023, which were developed in parallel to the refined strategy mentioned in our Chairperson's statement.

To achieve our strategy and purpose, we are empowered through trust, we love our consumer, we have passion to win, we are truly inclusive, we are stronger together and we do the right thing.

Embedding sustainability

In the context of a rapidly changing world, it is important that shareholders and wider stakeholders have a view of BAT Kenya and our place in it. I am grateful to everyone who has shared in our transformation journey so far and equally so, to those who have joined us on the journey ahead.

Key drivers of business sustainability for our business include evidence-based and balanced fiscal and regulatory frameworks which enable business operations and continuity, consumer-centricity to enable us meet the dynamic needs of adult smokers and nicotine consumers, climate change action and environmental management to address our impact



on natural resources and nature's impact on our business, as well as social and governance factors which speak to how we drive the wellbeing of our people and enable them to deliver with integrity.

To track our performance, we align to the BAT Group's ESG roadmap which we have adopted with locally relevant metrics. Underpinned by oversight by the Board, the Company's management ensures regular tracking and reporting of sustainability performance by embedding this into strategy and cycle plans, as well as governance tools such as the Sustainability Management Committee, which reports to the BAT Kenya Leadership Team and the Board Nominations and Governance Committee every quarter.

This is in addition to the tactical reporting and monitoring activities that take place on a more frequent basis in the routine delivery of business activities. In so doing, we ensure timely visibility of relevant trends and issues which inform leadership decision-making and facilitate continuous improvement and action on our sustainability journey.

Leadership for the future

BAT Kenya continues to respond to the evolving dynamic external operating environment with optimism and resilience.

For our industry, ambiguity and uncertainty have long occupied discussions in boardrooms, and this was no exception in 2023. Last year, we faced a set back in our quest to reduce the health impact of our business, with the suspension of the sale of BAT's modern oral nicotine pouches in the Kenya market. This was to facilitate a review of the regulation governing these products in the country, which is still in progress as we write this report.

These developments are testament to our long-held notion that transformation and sustainability will not always be straight forward.

However, in many ways BAT Kenya has a remarkable and unique culture, marked out by a blend of new talent and capabilities, alongside long-standing experience to enable us build a future-fit business. And as the world around us evolves, we will ensure that we leverage the opportunities that emerge and enhance efforts towards the areas in our sustainability performance that need improvement.

Of course, our people, including employees and business partners, remain at the heart of the transformation we are undertaking. As they have proven time and again, it is through their hard work and determination that we will continue to deliver for stakeholders.

BAT Kenya's Board and Management equally remain focused on securing long-term sustainable shared value creation for all our stakeholders, now and in the future. I thank you all.

Crispin Achola
Managing Director

02 About our Business

Regulatory landscape

Our business is regulated by various local laws and regulations. While we are subject to the general regulatory frameworks that apply to all businesses, certain regulation is specific to our business, key being the Tobacco Control Act, 2007 and Tobacco Control Regulations, 2014. The sale of our products is governed by applicable local laws as well as the BAT Group's Responsible Marketing Principles (RMP).

A fundamental requirement of the RMP is that our tobacco and nicotine products should be sold responsibly to adults only and are not designed to appeal to children.

We fully support laws and regulations prohibiting the sale of our products to anyone under the legal minimum age of 18 in Kenya, and we have a well-established programme aimed at prevention of underage access (PUA).

We support regulation that is based on thorough evidence and research and is arrived at through robust consultative processes to deliver on the intended policy aims, while recognising unintended consequences.

We are committed to complying with all applicable laws, as well as the BAT Group's Standards of Business Conduct (SoBC), which we have adopted locally for implementation across BAT Kenya's business.

The SoBC sets high standards of responsible behaviour and comprises our core policies for all BAT Group companies worldwide, including on human rights, anti-bribery and corruption, and anti-illicit trade.

Our consumer-centric multcategory product portfolio

BAT Kenya's product portfolio comprises a range of high-quality products, including cigarettes (combustible products) and oral nicotine pouches (reduced risk* products). This reflects our commitment to meet the preferences of today's adult smokers, while transforming our business by adapting to consumer and market changes with innovative nicotine products.

As a responsible manufacturer, we are committed to the prevention of underage access to our products.

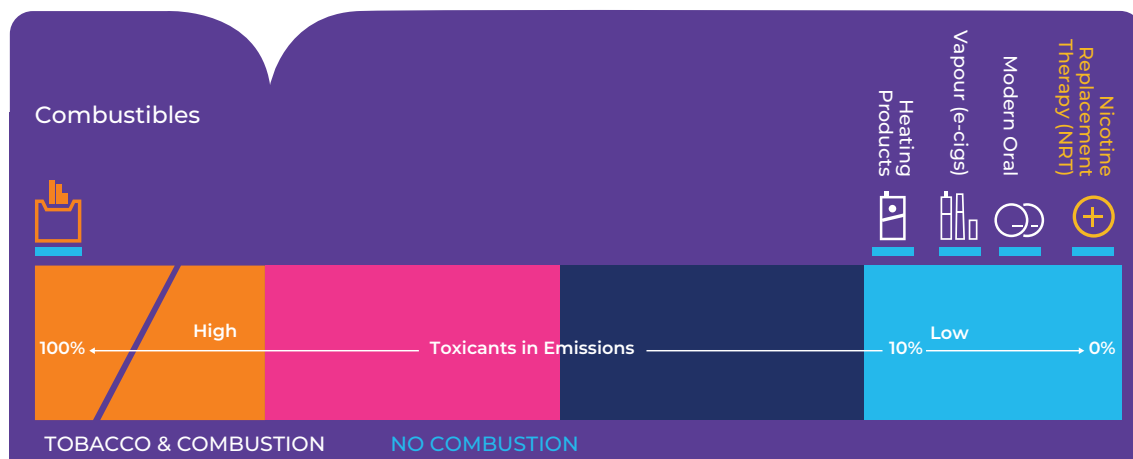
Tobacco harm reduction

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

Tobacco harm reduction (THR) is a strategy that recognises the harm caused by combustible cigarettes and aims to minimise the health impacts of cigarette smoking.

“ We are committed to the prevention of underage access to our products. ”

The image below provides a snapshot of the risk profile of tobacco and nicotine products, demonstrating how this evolves across the spectrum.



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

For THR to be effective, alternatives that deliver comparable satisfaction in nicotine delivery, use and sensorial aspects are needed.

THR has been recognised by various global organisations, as a legitimate approach to reduce the health risks associated with smoking.

Further, an increasing number of progressive international scientific and public health communities 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.

Additionally, regulators are implementing progressive laws that acknowledge the benefit of reduced risk* products and the role they can play in THR.

The United Kingdom (UK) Health Security Agency and Office for Health Improvement and Disparities, amongst others, has recognised that vaping poses only a small fraction of the risk of smoking.

Vaping is credited with helping about 50,000 to 70,000 people stop smoking every year and is endorsed by the UK Department of Health and Social Care¹.

The Royal College of physicians has credited the use of nicotine pouches with reduced smoking rates in Sweden. Research by the Institute of Tobacco Studies shows that Sweden has the lowest rates of tobacco- related diseases in Europe².

Given Kenya's progressive outlook and position as a leader in the region, the government has a real chance to lead by enacting and implementing regulations that contribute to tobacco harm reduction in our country.

Vaping credited with helping +50,000 people stop smoking annually.

1 <https://assets.publishing.service.gov.uk/media/633469fc8fa8f5066d28e1a2/Nicotine-vaping-in-England-2022-report.pdf>
 2 https://knowledge4policy.ec.europa.eu/health-promotion-knowledge-gateway/smoking-deaths_en

World class science

Science and innovation are at the heart of BAT’s transformation journey. BAT applies world class science and research to provide adult smokers with alternative products that aim to reduce the health risks associated with conventional cigarette smoking, for those who would otherwise continue smoking.

Critical to this is balanced, evidence-based regulatory frameworks, including ensuring product safety and quality through global, regional and local product standards.

The BAT Group has had over 80 studies on New Category products published in peer-reviewed journals, seeking to make the Group’s science accessible to a wider audience.

Enabling consumer choice

To drive THR and deliver our purpose, BAT is transforming into a truly consumer- centric multi-category consumer products business.

In 2023, we launched in Kenya, BAT’s tobacco free oral nicotine pouches, however, sale of the product is temporarily suspended due

to regulatory uncertainty. We continue to contribute to national dialogue on a sustainable regulatory framework for smokeless nicotine products to enable us provide consumers with a choice of alternative reduced risk* products.

Tobacco Farming

Tobacco is diverse, and different types of tobacco are grown in different parts of the world. It is classified into four taste territories namely: Dark, Earthy, Bright and Aromatic. Kenya predominantly grows Earthy tobacco.

BAT Kenya is a contributor to the global leaf market through BAT’s global leaf pool, which buys cut rag (processed loose tobacco) from its leaf growing markets worldwide. We have put in place infrastructure to facilitate the supply of high-quality leaf and safeguard its integrity.

Our leaf growing operations in Kenya are concentrated in the counties of Bungoma, Busia, Migori and Meru, where we partner with majority of local tobacco farmers through annual contracting. In partnership with our contracted tobacco farmers, we have decades of experience in tobacco farming and processing.



“ We have put in place infrastructure to facilitate the supply of high-quality leaf and safeguard its integrity. ”

“ We have put in place infrastructure to facilitate the supply of high-quality leaf and safeguard its integrity. ”

Tobacco leaf growing and processing

The tobacco leaf growing season at BAT Kenya begins with farmer selection and contracting. The second phase includes provision of crop and farm inputs by the Company to farmers, including tobacco seeds, agrochemicals, fertilizer, liming agents and personal protective equipment.

To facilitate the implementation of Good Agricultural Practices (GAP), we provide field extension services to contracted farmers throughout the crop season. This is done through outsourced field technical officers in liaison with BAT's Area Leaf Managers. The key objective of this process is to build farmer capability, monitor progress and gather information to facilitate key decisions during the ongoing crop growing cycle and future needs of our Leaf operations.



“ We encourage our farmers to grow alternative crops after harvesting tobacco. ”

The third phase in leaf growing includes harvesting and curing of the tobacco leaf by farmers. Once harvested, the tobacco leaf goes through a process called curing (it is during curing that tobacco taste is developed) where the tobacco leaves are dried in a controlled environment to prepare them for processing at our green leaf threshing plant (GLTP). Subsequently, BAT Kenya purchases the cured tobacco from the farmers, upon which it is warehoused and transported to the GLTP, where it is prepared to produce cigarettes or other tobacco products.

During the growing stage, tobacco is in the farm for six months, after which it is harvested and cured for about three months. We encourage our farmers to grow alternative crops after harvesting tobacco, to enhance food security and soil nutrition. To facilitate this, we provide subsistence crops, including certified maize seeds at no cost. We also provide other crops and plants at market competitive rates, such as avocados issued in 2023 and Moringa trees in prior years.

Leaf processing activities include leaf buying, warehousing, and threshing to meet stringent quality standards. Other processes include leaf grading and blending. The final steps include transportation of the processed leaf from our green leaf threshing plant in Thika, to our cigarette manufacturing factory in Nairobi.



Sustainable tobacco programme

Underpinning the leaf growing process is sustainability, which includes protecting the integrity of the tobacco leaf, mitigation of external risks such as adverse environmental impacts, ensuring the safety of farmers and their workers and enhancing farmer livelihoods.

Through the BAT Group, BAT Kenya participates in the industry-wide Sustainable Tobacco Programme (STP) which is an initiative developed in collaboration with other global tobacco

manufacturers to bring together leading practices from across the industry and help drive continuous improvement. It is also aligned to important external standards, such as those of the International Labour Organisation (ILO).

STP themes include sustainable farming techniques, the use of agrochemicals, soil and water management and actions to help prevent child and forced labour. The STP applies to all our first-tier suppliers in our tobacco leaf supply chain.

Impact of the operating environment on tobacco farming

As part of efforts to build a future-fit business, BAT Kenya regularly reviews demand for Kenyan tobacco leaf in light of various operational factors. Over the last few years, affordability challenges facing tobacco consumers have heightened due to sustained growth of illicit trade in tax evaded cigarettes, impacting demand for legitimate tobacco products. Illicit trade has grown from less than 1% in 2015 to approximately 27% (according to third party research commissioned by BAT Kenya).

Further, information on illicit trade in tobacco products is available on page 91 of this Report. Following such business reviews, BAT Kenya has undertaken farmer rationalisation activities over the last five years, resulting in a reduction of contracted farmers. This reduction is also influenced by other factors including termination or non-renewal of contracts with farmers who were proven to have contractual non-compliance or malpractice.

While the number of contracted farmers has declined, there has been an increase in crop yield by contracted farmers. To facilitate a smooth transition for exiting farmers, we provide them with a transition pack, which includes certified maize and fertilizer and where possible, market linkage for farmers who opt in.

Manufacturing excellence

Our cigarette manufacturing factory in Nairobi's Industrial Area and Green Leaf Threshing plant in Thika form a key hub for BAT's global business. We continue to invest in this key operational infrastructure to build future-fit capabilities and deliver world-class results.

As a result, we have received various accolades internally and externally including at the annual Energy Management Awards hosted by the Kenya Association of Manufacturers (KAM). This has notably been in the areas of operational efficiency, energy management and health and safety.

A key component of our manufacturing efficiency is the Integrated Work Systems (IWS). The IWS embodies the key drivers of Zero Loss Mentality and 100% Employee Involvement. With this framework, all employees actively participate in identifying loss areas and generating new innovative solutions to eliminate losses and drive productivity.

During the reporting period, we surpassed the previous year's monthly overall equipment effectiveness performance (OEE) by setting a new record of 73.75% against the set target of 80% by 2025 (previous record: 70.03%) and Mean Time Between Failure (MTBF) of 20.18 minutes (previous record: 15.24 minutes).

This is an indication of robust employee capabilities in eliminating losses in both our processes and machinery. Our continued focus on IWS-driven loss elimination delivered productivity saving of KShs. 619 million from process improvements, waste reduction and energy saving initiatives.

From a capacity building perspective, we rolled out an operational and technical training program amongst others, as part of our commitment to developing employee capabilities in eliminating losses in our processes and machinery.

Overall Equipment Effectiveness Performance (OEE)



New monthly record
73.75%



Set target by 2025
80%



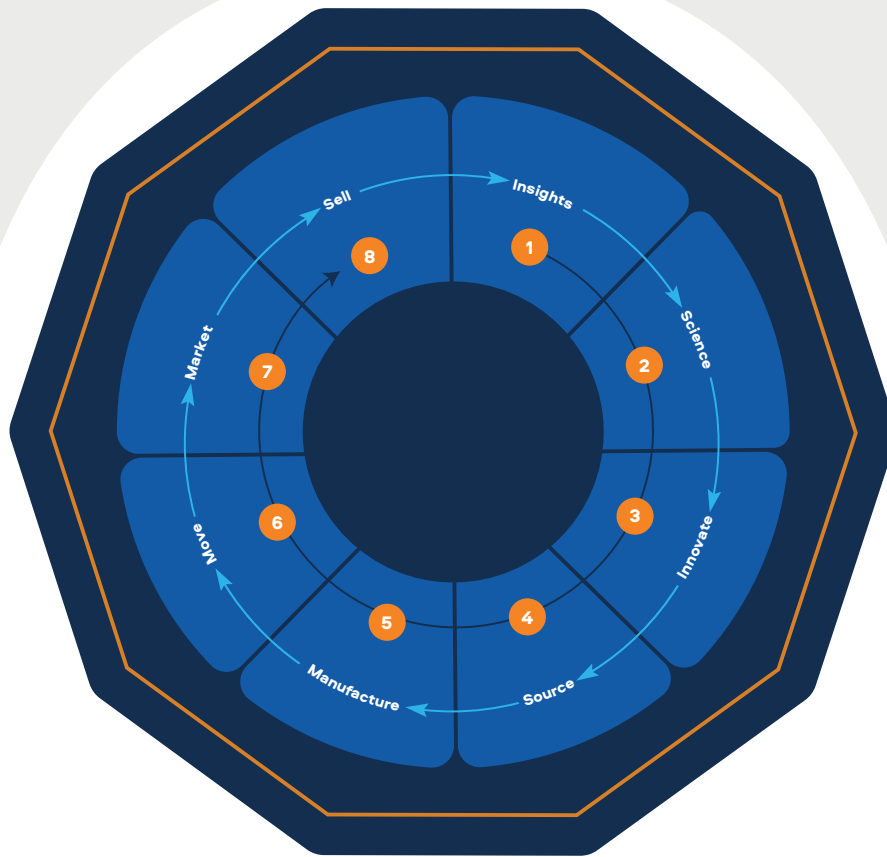
Mean Time Between Failure (MTBF)
20.18 min







03 BAT Group Business Model

The Group business model begins and ends with the consumer. Eight key enablers support us in turning powerful insights into products that meet consumer needs. BAT Kenya is aligned to BAT Group's business model and its focus areas are further adapted to deliver local priorities.

Refer to page 27 of the BAT Kenya 2023 Annual Report for further detail.



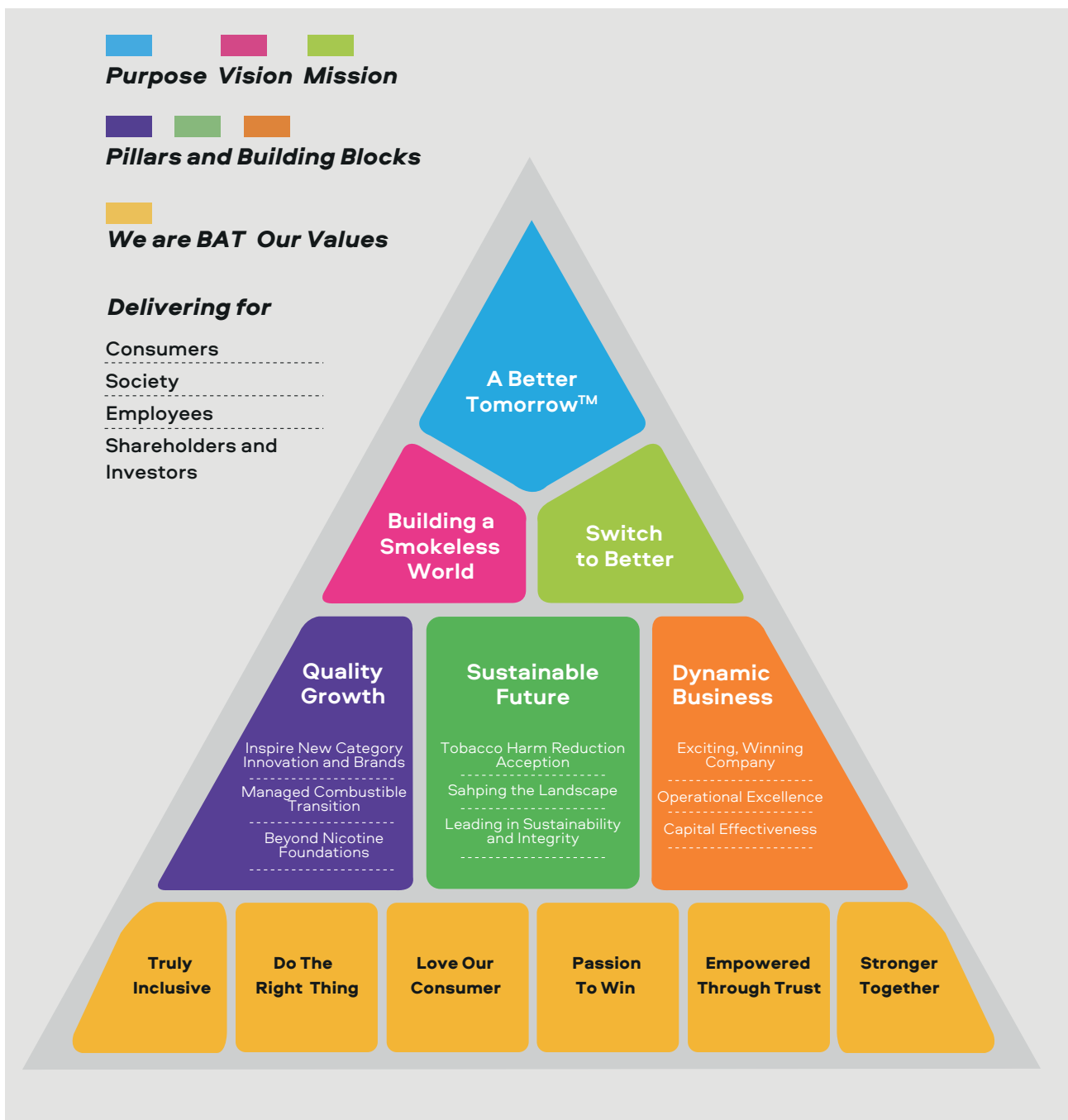
A Better Tomorrow™ for:

-  Consumers
-  Shareholders and Investors
-  Employees
-  Society

04 BAT Group Strategic Navigator

The BAT Group aims to build a Better Tomorrow™ by accelerating its ambition to build A Smokeless World through a multi-category portfolio of non-combustible products, tailored to meet the preferences of adult consumers. Our ambition is to increasingly transition our business from cigarettes to less risky* nicotine products as an alternative to smoking, to reduce the health impact of our business.

Refer to page 25 and 29 of the BAT Kenya 2023 Annual Report for further detail.



05 BAT Group Values

A key driver of the Group's purpose is its Values which guide behaviour across the entire BAT Group. The Group's values have been developed with significant input from employees and promote a culture that is future-fit by providing a foundation for sustainable growth.



TRULY INCLUSIVE

We embrace diversity and celebrate our differences.
 We are curious and safeguard the right to say what you think.
 We debate constructively yet progress together.

DO THE RIGHT THING

We act with integrity to achieve results.
 We care about our impact on society and our planet.
 We are thoughtful in our decision making.

LOVE OUR CONSUMER

We understand the consumer better than anyone.
 We are obsessed with innovation and our brands.
 We have the courage to test, fail fast, and learn to improve.



PASSION TO WIN

We equally value "How" and "What", and go the extra mile for success.
 We prioritise effectively and act like owners of our business.
 We own our purpose with determination and resilience.

EMPOWERED THROUGH TRUST

We start with trust and believe in each other.
 We ensure decisions are made at the right level.
 We understand that empowerment comes with accountability.

STRONGER TOGETHER

We pull together as one team, through good and bad.
 We collaborate beyond borders and functions.
 We help each other grow and succeed.



“ Employees actively participate in identifying loss areas and generating new innovative solutions to eliminate losses and drive productivity. ”

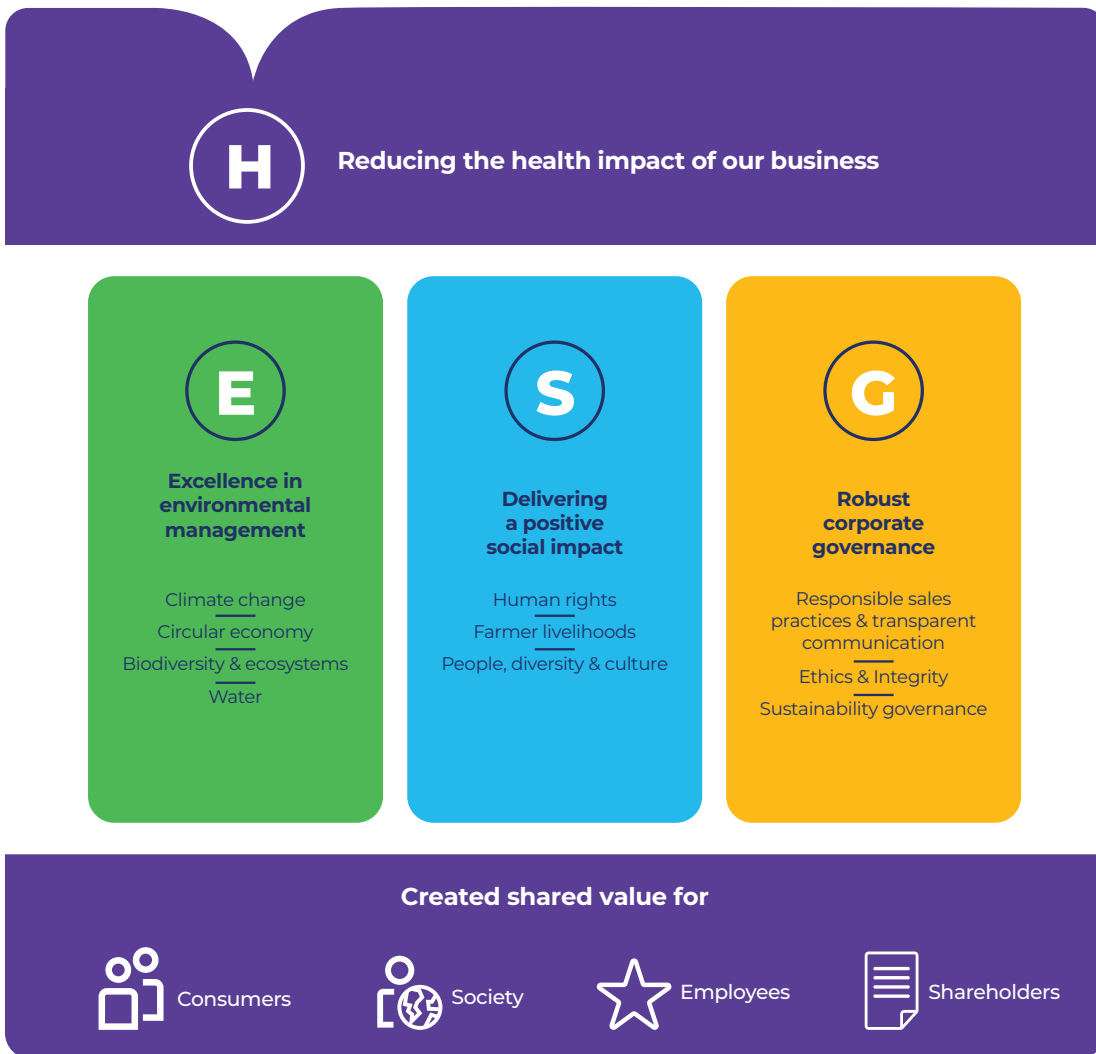
06 Our Sustainability Agenda

Our sustainability agenda is a key part of 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 approach is driven by stakeholder insights.

Through this process, we engage with a wide range of stakeholders to understand what matters most to them, complemented with ongoing risk monitoring, research and benchmarking.

This approach helps us keep pace with emerging topics and stakeholder expectations. Outlined here are the priority areas that form the core of our Sustainability Agenda.



Sustainable Development Goals

The UN Sustainable Development Goals (SDGs) were designed to provide a shared blueprint for governments, civil society and the private sector to create a sustainable future.

The BAT Group, to which BAT Kenya’s sustainability agenda is aligned, has mapped its Sustainability Agenda and material sustainability topics to the SDGs, to determine those that are the most relevant for its business and stakeholders. Here, we provide a high-level mapping of BAT Kenya’s material sustainability topics to these key global goals for 2030.

Classification	SDGs	BAT Kenya priorities
<h3>Strategic</h3> <p>These goals align with our principal focus area, to reduce the health impact of our business. They also align with the BAT Group’s global efforts to combat climate change, which extend across all aspects of our business.</p>		
<h3>Priority</h3> <p>These are the global goals that align with the BAT Group’s SDG priority areas, and where we can make a significant contribution through the Group’s global activities.</p>		
<h3>Localised</h3> <p>These goals align with issues for which a localised response is needed, tailored to the specific circumstances</p>		

07 Creating Shared Value



BAT Group's sustainability agenda aims to create shared value for its stakeholders by driving sustainable business and building resilient supply chains. BAT Kenya is implementing this agenda through USTAWI, a platform that seeks to drive a coherent approach to localising the BAT Group's Sustainability Agenda.

Ustawi is a Swahili word which has nuanced meanings, including 'thriving and prosperity'. This speaks to our sustainability agenda's ambition to create shared value for our stakeholders.

Direct economic value generated and distributed in 2023

BAT Kenya's direct economic value generated and distributed cuts across its value chain. Below is a snapshot of direct economic value delivered to key stakeholder groups in 2023.

Stakeholder	Direct economic value in 2023
Government	KShs 19.4 billion taxes paid being Excise Duty, VAT, Pay as You Earn (PAYE) and corporate tax.
Shareholders	KShs 5.7 billion in dividends (40% to minority shareholders)
Farmers	KShs 954 million in payment for tobacco leaf purchases from contracted farmers
Employees	KShs 2.0 billion paid in salaries / wages and benefits.
Product distributors and traders (tobacco and nicotine products)	KShs 2.5 billion in payments for tobacco and nicotine product sales.
Suppliers	KShs 8.5 billion in payments for various goods and services.

**Refer to our 2023 Annual Report & Financial Statements for detailed financial information*

YIELD AND QUALITY IMPROVEMENT THROUGH INNOVATION AND MECHANISATION



Enhances efficiency thus reducing the cost of production



Augments BAT's value as a centre of excellence in agriculture

BAT'S SUPPORT AND PROGRAMME OUTCOMES

+8% increase in farm yields **+21%** gross income per hectare **BATech** Programme

Floatbeds and Transplanters

- Coverage: 21%
- High seedling survival rate
- Reduces transplanting cost

Mechanised Ploughing & Ridging

- Coverage: 31%
- Reduces ploughing time from 12.5 hrs to 3.75 hrs
- Reduces ridging time

Hybrid Seeds

- Coverage: 53%
- 20+ topping height
- Optimal nutrient use efficiency

Soil Testing & Correction

- Coverage: 47%
- Correction through lime application

Integrated Pest Management

- 2% Chemical weeding
- Soil-borne disease control

08 Corporate Governance

BAT Kenya has corporate governance structures and processes that guide effective, accountable, and prudent leadership.

We have put in place systems to facilitate high standards of corporate governance. During the reporting period, the company complied with applicable regulations, including but not limited to, the Capital Markets Authority (CMA) Code of Corporate Governance Practices for Issuers of Securities to the Public 2015 (the 'Code'), Tobacco Control Act, 2007, the Companies Act, 2015, and the Nairobi Securities Exchange (NSE) ESG Disclosure Guidance Manual, etc.

The Board considers that this Sustainability Report will serve as a tool for non-financial reporting. Notably, this section provides the information that shareholders need to evaluate how the Company has applied the principles of good corporate governance to preserve, create and share value.

In addition to complying with the principles of Good Corporate Governance, the Company has embedded internal rules of engagement and frameworks to support effective corporate governance. This includes the BAT Group's Standard of Business Conduct (SoBC) to which every employee, contractor and director must adhere. At the same time, BAT Kenya suppliers must comply with the SoBC and the Supplier Code of Conduct (SCoC). We are committed to maintaining high ethical and integrity standards in the delivery of business results.



“ We are committed to maintaining high ethical and integrity standards in the delivery of business results. ”

The BAT Kenya Board

The Board of BAT Kenya (the Board) is collectively responsible for the Company's vision, strategic direction, values, and governance. It is accountable to the Company's shareholders for the performance of the Business, and for the long-term success and sustainability of the Company. It provides the leadership necessary for the business to meet its performance objectives within a framework of appropriate internal checks and controls.

The 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 Committee responsible for sustainability matters is the Board Nominations & Governance Committee.

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

As of 31 December 2023, the Board comprised of eleven (11) Directors, nine (9) being Non-Executive Directors including the Chairperson, and two (2) Executive Directors. Of the nine (9) Non-Executive Directors, seven (7) are Independent.

Refer to page 52 to 55 of the 2023 Annual Report for full profiles of the Board Directors.

The Leadership team

The Leadership Team, led by the Managing Director, is responsible for the day-to-day management of the Company. In so doing, it oversees the implementation of the strategy and policies set by the Board.

Refer to page 56 and 57 of the 2023 Annual Report and Financial Statements for full profiles of the Leadership team.

Sustainability oversight

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

Related activities in 2023:

- Reviewing the company's regulatory strategy in the context of the current regulatory landscape
- Monitoring the status of the company's litigation proceedings, including receiving updates on the Company's strategic litigation
- Reviewing Environmental, Health and Safety performance and initiatives across all Company sites.
- Reviewing the Company's strategy on the Environment, Social and Governance (ESG pillars)
- Partnering with public and private stakeholders to drive sustainability initiatives
- Monitoring compliance with the Company's standards of Business conduct and Internal controls
- Further to this, the Board members undergo regular training and education to enable them to fulfil their responsibilities. During the last reporting period the board undertook several sustainability sessions in line with the CMA and NSE guidance.
- Monitoring the Company's statutory reporting mandate



Risk management and internal controls

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 reviews the effectiveness of its risk management and internal control systems annually, covering all material controls, including financial, operational and compliance controls.

The Board Audit and Risk Committee

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 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.

- The Audit and Risk Committee (The Committee) is primarily responsible for ensuring that the Company has proper and satisfactory internal operating control systems to identify and mitigate business risks and that the Company's business is conducted in an appropriate, economically sound, sustainable and ethical manner.
- 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.
- Responsible for monitoring compliance with the Company's SoBC, 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.
- Monitoring and reviewing the effectiveness of the internal audit function and recommending changes to the internal auditor where necessary. The Internal Audit Manager is a permanent invitee to the Committee and presents a report on the audit plan for the year as well as providing updates on ongoing and completed audits.
- The Committee is responsible for recommending the Company's risk appetite and 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 about each risk. All identified risks are assessed at three levels (high/medium/low) regarding their impact on the business and likelihood of occurring. Mitigation plans are implemented to manage the risks identified, and the risk registers are reviewed regularly at each Audit and Risk Committee meeting.

In compliance with BAT Group's risk management practices, the Company also completes a checklist annually known as the Control Navigator.

The Control Navigator tool enables self-assessment of the internal control environment, assists in identifying any controls that require strengthening, and sets out monitoring action plans to address any control weaknesses.

The checklist is reviewed annually to ensure it remains relevant to the business and covers all appropriate vital controls.

Key Audit and Risk Committee activities in 2023

- The Company's 2023 full year financial results including the application of accounting standards;
- The external auditors report and 2023 external auditor's work plan including key audit matters;
- Updates from the internal Audit Manager on both local and global process audits, the Management responses and remediation plans put in place;
- Updates on the Company risk register quarterly risk heat map, including deep dives into specific risk topics and mitigating factors;
- Quarterly reports on security risks, frauds and any resultant losses;
- Updates on regulatory developments, corporate social investment matters, land matters and significant litigation.
- Report on Environment, Health and Safety key aspects and focus areas;
- Report on compliance with the Company's Standards of Business conduct, any whistleblowing received and investigations into potential breaches;
- Training of members on emerging technologies, controls at BAT and relevant requirements from the United States Sarbanes-Oxley Act of 2002;
- Review of the performance and effectiveness of the Internal Audit Function;
- Annual review of the external auditor's effectiveness and independence;
- The 2022 legal and compliance audit report and progress of closure of actions arising therefrom;
- Progress of closure of actions arising from the 2022 governance audit;
- Progress of closure of actions arising from the Board evaluation;
- Reviewing and assessing compliance with the CMA Corporate Governance Practices for Issuers of Securities to the Public, 2015;and
- Review of the Committee's Terms of Reference which were adopted by the Board on 16 February 2023.

“ The Board reviews the effectiveness of its risk management and internal control systems annually, covering all material controls, including financial, operational and compliance controls. ”

The Board Nominations and Governance Committee

The mandate of the Nominations and Governance Committee includes to make recommendations to the Board on the suitability of candidates for appointment to the Board, board diversity and the succession plan for senior management.

In so doing, the Committee reviews the structure, size and composition of the Board and its committees, succession plan for the Managing Director, 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, experience and diversity being sought prior to recruitment. The selection process will generally involve interviews with prospective candidates by the Board Chair and Committee members. In so doing, the Committee monitors and ensures that appropriate Non-Executive and Executive Director 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, its committees, and the directors in the discharge of their responsibilities. The evaluation is guided by the report of an independent evaluator into the running of the affairs of the Board.

In line with recommendations in the Code of Corporate Governance for Issuers of Securities to the Public 2015, the Committee is comprised of a majority of independent and non-executive directors and is chaired by the Board Chair who is an independent Non-Executive Director.

Key Nominations and Governance Committee Activities in 2023

- The environment, social and governance mandate of the committee as approved by the Board;
- The 2022 Sustainability Report and recommending it to the Board for approval.
- The 2023 Board training calendar as part of continuous Board developments.
- 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.
- Review of the Corporate Governance Report in the 2022 Annual Report.
- Review of various Company policy documents including the Board Appointment Policy and Board Diversity policy.

The Board 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. It ensures that all aspects of the Company's remuneration offering are sufficiently competitive to attract and retain the desired talent pool, align with the BAT Group's reward policy and position the Company as an employer of choice.

The committee sets 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 Board Chair, the Executive Directors and the Non-Executive Directors, both on appointment and on review.

This includes reviewing and recommending to the Board 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; Reviewing and oversight of the people culture against set metrics; Reviewing and setting targets for the organisational design of the Company and monitoring and advising the Board on any major changes to the policy on employee benefit structures for the Company.

Key Remuneration Committee activities in 2023

- Review of the HR strategy, culture and people plans;
- Reviewing the Organizational Design of the Company to ensure that it is fit for purpose;
- Pay strategy and salary reviews;
- Receiving talent insights on joiners, movers and leavers and actions taken to attract and retain talent;
- Review of the Company's diversity and inclusion plans;
- Receiving updates on the progress of the negotiations on the Collective Bargaining Agreement with the Union; and
- A review of the Terms of Reference of the Committee.



09 Policies and Procedures

We have an established governance management system with oversight at the Board level and cascaded down throughout our operations. Our policies and guidelines comprise of both BAT Group and local policies. The framework below comprises of Group policies and guidelines that have been adopted locally by BAT Kenya as appropriate, as well as local policies, guidelines and procedures that govern our business and sustainability agenda. They can be accessed on our website: www.batkenya.com.

We review our policies and procedures periodically to align to the changing operating environment. In 2023 we reviewed the following:

- Gift and Entertainment Policy
- Records and Information Management Policy
- Standards of Business Conduct Assurance Procedure

Key BAT Kenya policies, guidelines, and procedures	Summary of areas covered	Key Stakeholders
Group Standards of Business Conduct (SoBC)	<p>BAT Group's SoBC is a statement of the Company's values in its day-to-day activities.</p> <p>It is an integral part of our governance and, together with our Business Principles, underpins our commitment to high standards of corporate responsibility. The SoBC sets out policies for: Speak Up, respect in the workplace, human rights, health, safety and welfare, environment, lobbying and engagement, conflicts of interest, anti-bribery and corruption, political contributions, protection of corporate assets and financial integrity, community investments, anti-illicit trade, data privacy and information security.</p>	Our people, Government, Society
Group Supplier Conduct of Conduct (SCoC)	<p>Our Group SCoC complements our Group SoBC by defining the minimum standards we expect our suppliers to adhere to in order to supply goods or services to any BAT Group company.</p> <p>This builds upon our long-standing commitment to operate to the highest standards of corporate conduct for our own business operations and our wider supply chain. It covers: compliance, human rights, environmental sustainability, trade, distribution and overall business integrity.</p>	Customers Suppliers
Group Employment Principles	<p>Our Group Employment Principles build on our commitment to good employment practices and workplace related human rights.</p> <p>They set out a common approach to our companies' development of policies and procedures, while recognising that each company must take account of local labour law and practice, and the local political, economic and cultural context.</p>	Consumers Suppliers Governments
Group Leaf Operations Standard on Child Labour Prevention	Detailed guidance and procedures for tackling the risk of child labour in BAT's tobacco farming operations.	Our people Suppliers Government Communities
Group Responsible Marketing Framework (RMF)	<p>Our Group RMF set down detailed guidance on all aspects related to the sale of, and communication on our conventional combustible tobacco products and reduced-risk* products. Central to the RMF is our long-held commitment to ensure that no sales activity is directed at, or particularly appeals to those under the legal age.</p> <p>The IMPs are globally applicable.</p>	Consumers Customers

“ In addition to complying with the principles of Good Corporate Governance, the Company has embedded internal rules of engagement and frameworks to support effective corporate governance. ”

Key BAT Kenya policies, guidelines, and procedures	Summary of areas covered	Key Stakeholders
Group Corporate Social Investment (CSI) and Responsibility framework	<p>The Group has a Corporate Social Investment (CSI) and Responsibility framework underpinned by five core beliefs:</p> <ul style="list-style-type: none"> a) Creating long-term stakeholder value, b) Engaging constructively with our stakeholders, c) Creating inspiring working environments for our people, d) Adding value to the communities in which we operate; and e) Suppliers, and other business partners should have the opportunity to benefit from their relationship with the Company. 	Our people Society
BAT Kenya Environment, Health and Safety Policies	<p>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.</p> <p>The Company also maintains an Energy Management Policy and a Water Stewardship policy aimed at achieving the highest practicable levels of energy conservation, water conservation and reducing CO2 emissions, for the conservation of the environment and the sustainability of natural resources.</p>	Consumers Suppliers Governments
BAT Kenya Procurement Policy	<p>This policy and related procedures are necessary to ensure that business procurement can generate value by satisfying the needs of the business concerning service and cost associated with the acquisition of goods and services (except for tobacco which is subject to a tailored framework), and strategic machinery.</p> <p>The policy also ensures that appropriate controls are applied to purchase of goods and services for the Group's needs. This policy is periodically reviewed as may be necessitated by market conditions, legal requirements or other factors.</p>	Our people Suppliers Government
BAT Kenya Information Technology Policy	<p>This policy aims to facilitate ease of use of IT systems and infrastructure (including IT equipment, mobile facilities, data/ telecommunications networks and software) by staff, business partners and other stakeholders, while mandating the responsible use of IT systems. In delivering on its objectives, BAT Kenya leverages IT expertise within the BAT Group, as well as economies of scale in the purchase of IT equipment and services.</p>	Our people Suppliers Customers Government
BAT Kenya Data Protection Policy	<p>In recognising its role in the collection, processing, use and management of personal data, the company's Board has in place the Data Protection Policy which provides guidance to employees and the general public on the below matters:</p> <ul style="list-style-type: none"> • Compliance with local legislation and international laws and regulations on data protection. • Protection of the rights of data subjects (employees, business partners, customers); and <p>Transparency in collection, processing and storing of people's data.</p>	Our people Suppliers Customers Consumers Government
BAT Kenya Dispute Resolution Policy	<p>This Policy provides guidance on the management of disputes. It is intended to contribute to effective dispute resolution for the Company, whilst preserving the Company's relationships with its stakeholders.</p>	Our people Suppliers Customers Consumers Government

10 Business Continuity Planning (BCP)

Our business and operating environment is constantly changing, and we have to take cognizance of both internal and external factors affecting our operations. To build resilience and achieve growth, we continually seek to incorporate best global practices worldwide and pick lessons learned. Key focus areas include enhancing third-party business partner resilience, digitisation and greater recognition of developments in our industry such as new product categories.

Key aims of Business Continuity Management (BCM) at BAT Kenya are to protect our people, assets, information, and operations. In line with this, our BCP approach focuses on identifying business processes, evaluating criticality and determining responses to ensure effective mechanisms are in place to restore operations should our business be disrupted. Key objectives are to:

- Reduce the likelihood and impact of business interruption.
- Ensure that organisation can react effectively to, and deliver timely recovery from any business interruption to an acceptable pre-defined level; and
- Ensure continued operation and viability of our organisation, and sustained delivery of shareholder value following business interruption.
- To ensure that we can respond to disruptions effectively at any given time, annual and need-driven training, testing, quality assurance, control and audit reporting are conducted throughout the year as applicable.

Below is a summary of select contingency plans.

Mandated plans	Components
Denial of Site	Premises recovery
	Loss of key staff
	Information Digital Technology (IDT) remote working plan
Crisis Management	Crisis management structure
	Crisis communications
IT Service Continuity (ITSC)	IT service continuity
Supply Chain	Finished goods contingency sourcing plan
	Wrapping materials sourcing plan
	Primary supply chain
	Secondary supply chain
Manufacturing	Manufacturing recovery plan
Product recall	Product recall plan
Pandemic Plan	Pandemic plan
Security Plans	Civil disorder (Evacuation plan)
	Natural event management plan



11 Sustainability Performance Reporting

Sustainability reporting plays a key role in delivery of our overall strategy and purpose to create A Better Tomorrow™. Herein, we have reported all available key performance metrics and information identified as material to our business and being guided by Nairobi Security Exchange ESG Disclosure manual, and the Global Reporting Initiative Standards.

Stakeholder engagement

At BAT Kenya, we recognise the value that our varied stakeholders bring; from our employees who are central to the success of the business, our customers, suppliers, shareholders and, regulators to our farmers who produce tobacco



leaf. We are therefore committed to maintaining sustainable relationships with all stakeholders through consistent and transparent communication.

In our continued journey of sustainability and reporting, we enhance non-financial mainstream disclosure, improve transparency, and showcase our sustainability performance, including our progress towards the SDGs that are most material for our business.

Throughout the reporting period, we emphasised strengthening our relations with our stakeholders and continue to take proactive measures to deepen our engagements with them. This includes widening our reach and ensuring our stakeholders, views are considered in decision making to facilitate inclusivity, transparency and promote shared value.

Ongoing engagement with stakeholders helps to create an understanding of potential issues, enables us to proactively address concerns, stay up to date with global trends and market expectations, and develop solutions that deliver shared value.



Stakeholder	Why we engage	How we engage
Employees	It is important and essential that our employees are fully engaged and aligned with our values, strategy and objectives in order to deliver sustained superior results and business sustainability. Additionally, BAT wants to attract and retain top Talent and therefore ensure that engagement with our workforce is regular, inclusive and transparent.	<ul style="list-style-type: none"> • Townhalls • Training events • Speak up channels • Employee intranet and internal forums • Employee volunteering forums • Employee listening tools: Your Voice Survey • Policies
Shareholders	We ensure that shareholders have the required information on business performance and management of the business in a timely manner, and facilitate effective feedback processes.	<ul style="list-style-type: none"> • Annual General Meetings • Annual reporting • Media announcements • Website • Investor calls
Government and regulators	A transparent relationship with government and regulators is key to how we conduct our business.	<ul style="list-style-type: none"> • Meetings • Regulatory filings • Multi-stakeholder forums, events and conferences • Public policy submissions
Consumers	For us to provide adult tobacco and nicotine consumers with a greater choice of innovative and less* risky products we engage our consumers within the confines of our regulatory remits	<ul style="list-style-type: none"> • Product information on packaging • Consumer helpline • Product analysis
Farmers	Our contracted tobacco farmers are valued business partners. We strive to ensure transparency in our interactions and engagement.	<ul style="list-style-type: none"> • One-on-one meetings or conversations • Trainings and workshops • Field visits • Grievance mechanism • Sustainable tobacco programs and assessments.
Suppliers	Our suppliers are essential to an efficient and productive business. We thus ensure effective relationship management, including transparent engagements with our suppliers	<ul style="list-style-type: none"> • Supplier review and audits • Supplier voice survey and dialogue • Strategic partnerships
Customers (distributors, wholesalers and retailers)	Our customers are key to our implementation of our responsible marketing practices, tobacco control compliance and driving business growth	<ul style="list-style-type: none"> • Contract discussion and account management • Business to business programmes • Sales calls and visit by trade representatives • Audits and performance reviews • Customer voice survey

12 Materiality Assessment

“ We are acutely aware of the changing needs of our stakeholders and take proactive initiative to evolve with them. ”

Materiality assessment remains a key tool in pinpointing the most significant issues for both our organization and stakeholders. During the last reporting period, we carried out a thorough materiality assessment to identify material sustainability topics for our organisation and stakeholders. These topics were compared against sector-specific standards and best practices in agriculture, affirming their relevance and importance within our industry.

The topics identified represent the most substantial impacts our group has on the environment, society, and the economy, and are central to our goal of becoming the leading sustainable agri-business in the country.

The end-to-end process included:

1. Understanding the organisation’s context
2. Identifying actual and potential impact
3. Assess actual and potential positive and negative impacts
4. Prioritise the most significant impacts for reporting

We are acutely aware of the changing needs of our stakeholders and take proactive initiative to evolve with them. As such, we are committed to maintaining working relationships with our stakeholders, responding promptly and effectively to any pertinent changes. This commitment to ongoing engagement facilitates agile adoption of our strategies, reaffirming our dedication to fulfilling our stakeholders’ expectations. We engaged with key stakeholder groups including employees, shareholders, suppliers, regulators, affected communities and farmers to determine the sustainability topics most material for our business.

“ Continuity reflects the stability and forward-thinking nature of our materiality assessment process. ”

The materiality survey was co-developed with our independent consultant and deployed to the stakeholders for response. Consultation and deep dive sessions were also implemented as a follow up exercise to comprehensively understand their feedback. Using the results from the evaluations, our independent consultant analysed the responses to develop a sustainability materiality assessment matrix highlighting the priority topics based on their importance to BAT Kenya and its stakeholders.

In the current reporting cycle, it became evident that the previously identified material topics are still highly relevant, and thus we have decided to retain them. In 2023, the Board approved a refinement of these topics to ensure they are consistently and accurately presented. This continuity reflects the stability and forward-thinking nature of our materiality assessment process. It further demonstrates that our sustainability initiatives are strategically anchored in an in-depth understanding of our industry landscape.

Material topic	Sub-topics
Harm reduction	<ul style="list-style-type: none"> • Consumer choice • World class science
Climate change	<ul style="list-style-type: none"> • Water stewardship • Biodiversity and ecosystems • Circular economy
Farmer livelihoods and communities	<ul style="list-style-type: none"> • Sustainable agriculture • Crop diversification • Farmer & community resilience
Health & safety	<ul style="list-style-type: none"> • Occupational health and safety • Zero harm culture • Capacity building
Human rights	<ul style="list-style-type: none"> • Human rights in tobacco farming • Value & supply chain integrity
Employees, diversity and culture	<ul style="list-style-type: none"> • Employee wellbeing • Diversity & inclusion • Organisational culture • Talent development • Reward & remuneration
Ethics and integrity	<ul style="list-style-type: none"> • Business ethics • Responsible sales and communication • Sustainability governance







13 BAT Kenya's performance against the BAT Group's ESG Roadmap

Our Group ESG roadmap provides guidance on the core priorities of our sustainability agenda. These are further informed by our local context. These priorities are tracked regularly through measurable targets by the Group and BAT Kenya as applicable. Below is the 2023 performance summary.

(The reporting calendar year for climate, circular economy, waste and safety runs from 1 December to 30 November)

KEY						
✓ Achieved - Met target / ambition ahead of time	■ On track-Likely to meet target / ambition on time	■ Ongoing focus - Continued progress towards target / ambition required	■ Not on track - Significant progress required to meet target / ambition on time			
BAT Kenya ESG Material Topic	BAT Group targets & goals	BAT Kenya metrics	BAT Kenya's performance*			Trend
			2023	2022	2021	
Environment						
Climate Change	50% reduction in Scope 1 and 2 GHG emissions by 2030 (vs 2020 baseline)	Scope 1 CO _{2e} emissions (tonnes CO _{2e})	3042	4,461	4,972	●
		Scope 2 CO _{2e} emissions (Market/location - based) (tonnes)	697	962	1,831	●
	50% reduction in Scope 3 GHG emissions by 2030 (vs 2020 baseline)	Scope 1 & Scope 2 CO _{2e} emissions (Market/location - based) (tonnes)	3739	5,423	6,803	●
		Energy consumption (MWh)	19,421	23,820	28,068	●
	50% renewable energy use by 2030	Renewable energy consumption (MWh)	1,271	474	51	●
		Renewable energy as a % of energy consumption	6.5%	2.0%	0.2%	●
Circular Economy	25% reduction in waste from BAT's operations by 2025 (vs 2017 baseline)	Waste generated (tonnes)	1,523	1,572	1,802	●
	90% recycling rate of total waste generated by 2025	% of waste recycled	97.8%	97.9%	98.2%	✓
	<1% waste to landfill by 2025	Waste sent to landfill (tonnes)	0	0	0	✓
Water	30% of water recycled by 2025	% of total water recycled	20.5%	13.7%	1.3%	●
	35% reduction in water withdrawn by 2025 vs 2017 baseline	Total water withdrawn (cubic meters)	35,404	44,494	51,103	●
	100% operations sites Alliance for Water Stewardship certified by 2025	% of operations sites AWS certified	100%	100%	50%	✓
	Soil & water management practices in our tobacco supply chain	% of tobacco hectares reported to have appropriate best practice on soil management implemented	64%	67%	53%	●
		Total water withdrawn (M3) from BAT Kenya Leaf operation	28,246	34,266	59,167	●
Biodiversity and ecosystems	100% of wood used by our contracted farmers as curing fuel to be from sustainable sources	% of sustainable wood fuel sources used by our contracted farmers for curing tobacco	100%	71%	-	✓

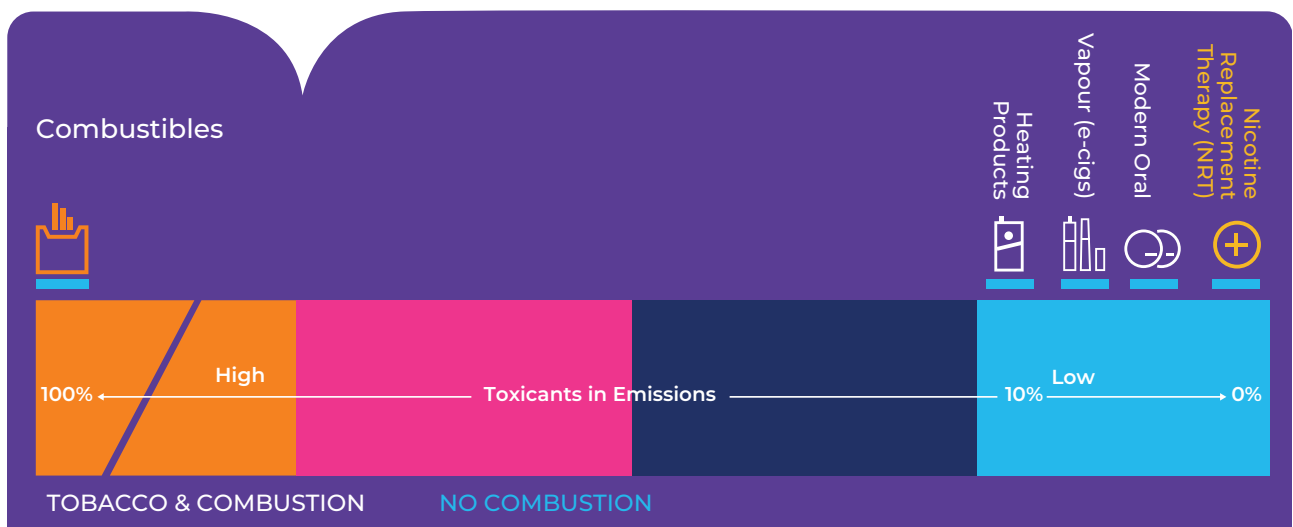


KEY							
✓	Achieved - Met target / ambition ahead of time	■	On track-Likely to meet target / ambition on time	■	Ongoing focus - Continued progress towards target / ambition required	■	Not on track - Significant progress required to meet target /ambition on time
BAT Kenya ESG Material Topic	BAT Group targets & goals	BAT Kenya metrics	BAT Kenya's performance*			Trend	
			2023	2022	2021		
Social							
Human rights	Aiming for zero child and forced labour by 2025 in our tobacco supply chain	% incidents of child labour reported as resolved by end of the growing cycle	100%	100%	100%	●	
		% of farmers that received training /capacity building on child labour issues	100%	100%	100%	✓	
Farmer livelihoods & Communities	Working to enable prosperous livelihoods for all farmers in our tobacco supply chain	% of tobacco farmers reported to grow other crops for food or as additional sources of income	97.7%	95%	91%	●	
		% of farmers trained on crop diversification	83%	83%	99%	●	
		% of farmers trained on farm / business management	-	99%	-	●	
Health and Safety	Aim for zero accidents Group-wide year on year	No. of work-related accidents resulting in injury to employees and contractors	0	1	0	✓	
		Lost Time to Injury (LTI)	0	0.2	0	✓	
		Occupational illness cases	0	0	0	✓	
		No. of serious injuries (employees)	0	0	0	✓	
		No. of serious injuries (contractors)	0	1	1	●	
		No. of fatalities (employees & contractors)	0	0	0	✓	
		No. of fatalities to members of public involving BAT vehicles	0	0	0	✓	
		100% of farmers and workers with sufficient personal protective equipment (PPE) for agrochemical use and tobacco harvesting	% of farms reported to have sufficient PPE for agrochemical use	100	100%	100%	✓
	% of farmers trained on agrochemical health and safety (% of farmers trained)	100	100%	100%	✓		
Employees, Diversity and Culture	45% women in Management roles by 2025	% women in Senior Leadership teams	47%	47%	50%	✓	
Governance							
Ethics and integrity	Aiming for 100% adherence to our Standards of Business Conduct (SoBC)	No. of established SoBC breaches	6	6	1	●	
		% of employees who completed annual SoBC training and sign-off	100%	100%	100%	✓	

14 Strategic Management of Our Material Topics

This section provides performance overview of BAT Kenya’s material topics based on BAT Group targets, to which BAT Kenya is aligned.

Harm Reduction



BAT Kenya’s goal

- Launch reduced risk* products in the market by 2025

Performance Summary

The BAT Group has a clear purpose to create A Better Tomorrow™ by building A Smokeless World. This is anchored in its commitment to reduce the health impact of our business by providing adult smokers and nicotine consumers a wide range of less risky* products.

For BAT, moving towards a smokeless product portfolio built on outstanding products, informed consumer choice, and underpinned by world-class science are essential for building A Smokeless World.

It is widely accepted that most of the harm associated with tobacco is caused by inhaling the smoke produced by its combustion — not by nicotine. That is why the Group is dedicated to the development and sale of a range of less risky products that meet the needs of smokers without burning tobacco.

We are clear that combustible cigarettes pose serious health risks, and the only way to avoid these risks is to not start smoking or to quit.

Highlights

2023

Launched an oral nicotine product in the Kenya market.



To facilitate this, In 2023, we launched in Kenya, BAT's tobacco free oral nicotine pouches. However, sale of the product is suspended due to regulatory uncertainty.

We continue to contribute to national dialogue on a sustainable regulatory framework for smokeless nicotine products to enable us provide consumers with a choice of alternative reduced risk* products.

Standards & regulation

The development and implementation of evidence-based regulation and standards for New Category products is critical. We believe that science – based dialogue that includes all stakeholders – from regulators and policy makers to consumers and the industry, is key to developing the effective policies needed to accelerate the reduction in smoking rates.

A progressive regulatory environment that leverages smokeless alternatives as THR tools, encourages adult smokers who would otherwise continue to smoke, to switch completely to scientifically-substantiated, reduced risk* alternatives.

As the science and evidence to substantiate these products continue to develop, we hope to see more progressive regulation to accelerate New Category products growth and reduction in smoking rates.





Environmental Management

BAT recognises that responsible environmental stewardship is essential to our operations. We facilitate good environmental practices and embed risk management interventions in our decision making to address potential and actual impacts of climate change.

Our environmental management framework goes beyond the applicable legal and regulatory requirements governing environmental management in Kenya and includes proactive initiatives on energy management, circular economy, biodiversity conservation and water stewardship. We are committed to continuous improvement in the management of our environmental impacts and operating responsibly both in our own operations and throughout the wider value chain.

Climate Change



BAT Kenya goals

- 50% reduction in Scope 1 & 2 CO₂e emissions by 2030 (vs 2020 baseline)
- 50% reduction in Scope 3 emissions by 20230 (vs 2020 baseline)
- Carbon neutral operations by 2030 comprising Scope 1 & 2 CO₂e equivalent emissions

Performance Summary

The effects of climate change such as extreme weather events including floods and drought, can threaten our ability to secure the natural resources we need to run our business. We also have an impact on climate change through our operations sites and reliance on natural resources. Reducing GHG emissions and mitigating climate risks will require fundamental shifts in the way we operate our business. We are addressing climate change and accelerating the decarbonisation of our operations through three main elements:

- Energy management
- Afforestation and biodiversity
- Sustainable agriculture

Highlights

54%
reduction in Scope 1 & 2
CO₂e emissions

Compliance certification

Certified as energy compliant by the Energy and Petroleum Regulatory Authority for the period 2022-2025.

Energy management

Scope 1 and 2: Decarbonising our operations

Our efforts to reduce Scope of 1 and 2 CO2e emissions are supported by a robust renewable energy strategy. This table provides a breakdown of our emissions.

Location	Scope 1		Scope 2	
	Tonnes (Co2e)			
	2023	2022	2023	2022
Nairobi factory	2101	3,308	581	837
Thika factory	615	735	93	108
Offices	0	0	23	17
Fleet	326	418	0	0
Total	3,042	4,461	697	962

Emissions data for scope 3 is currently not available*

Electricity consumption

In the last three years we have seen consistent reduction in electricity consumption at our offices and factories, mainly driven by the energy management efforts highlighted below:

- Installed level 4 Energy Monitoring System on Equipment to help in loss analysis and therefore identify areas of improvement. Additionally we installed flash steam & Blowdown recovery systems leading to improved thermal efficiencies
- Installation of high efficient compressors (160 kw fixed & 160 kw VSD) with optimiser leading to reduction of energy used to generate compressed air
- Installation of shut off pneumatic valves in the compressed air line distribution system to minimise compressed air losses
- Installation of IE3 motors on large motors thereby reducing the energy consumption
- Replacement of the steam line including cladding and lagging that has led to Improved efficiency of the boiler by reducing heat loss on the steam system thus improved thermal efficiencies.
- Changed secondary cylinders hot air recirculation system from counter current to concurrent flow leading to increase residence time and drop in steam demand from 3300kg/hr. to 2200 kg/hr contributing to improved thermal efficiencies.
- Installation of thermal steam jackets on the steam distribution system to improve thermal efficiencies



Renewable energy

In our continued efforts to respond to climate change on the back of an investment of approximately KShs 145 million in solar energy between 2021 and 2022, we have increased energy generated from solar. In 2023 we rolled out the following initiatives:

- Phase 2 of solar energy installation of 250-kwP capacity, thus increasing on site generated electricity from 300KwP to 550KwP.
- Installation of solar hybrid system of 25Kw to support office operations.
- Installation & commissioning of phase three 1MWp solar project, increasing the onsite generation of electricity from 400kwP to 1400kwP.

This has seen a steady reduction in our energy usage as shown below:

Location	2023	2022
	MWh	
Manufacturing factory		
Fuel oil	6,868	10,883
Purchased Electricity	6,024	7,776
LPG	531	650
Solar	1,103	352
Diesel	72	198
Green leaf Threshing plant (GLT)		
Fuel oil	1,793	2,344
Purchased Electricity	960	1,004
LPG	226	266
Solar	168	122
Diesel	25	19
Trade, Marketing & Distribution		
Purchased electricity	250	156
Fleet vehicles		
Diesel	968	1,298
Petrol	266	261







Biodiversity and ecosystems



BAT Kenya goals

- 100% of wood fuel used by our contracted farmers for tobacco curing to be from sustainable sources by 2030
- Plant at least 2 million tree seedlings annually

Performance Summary

Internally, deforestation, soil pollution and biodiversity loss can cause environmental disruption and increase production costs. Externally, our business operations including conventional agricultural practises rely on the use of natural resource, such as wood fuel, soil and water. Failure to preserve and protect the biodiversity where we operate could negatively impact ecosystems as well as farmers and communities.

We continue to implement various measures to safeguard biodiversity and natural ecosystems. Interventions include driving water stewardship programmes, optimisation of pesticides and fertilizer use, promotion of regenerative agriculture and afforestation activities.

Our approach to protecting biodiversity and ecosystems is embedded in the BAT Kenya Environmental Management Policy Statement. We work with our stakeholders, including our contracted farmers and local communities to conserve and protect biodiversity and drive various initiatives. For our famers, we conduct robust due diligence on farming practices to avoid conversion of natural ecosystems to tobacco farms. We also conduct capacity building initiatives with farmers on soil management, conservation and afforestation. In 2023 our training covered nurturing of seedlings planted to facilitate optimal survival rates, which we monitor on a regular basis.

Highlights

100%

use of sustainable wood fuel sources for tobacco curing by our contracted farmers.

1 million

trees planted in 2023.

54 million

trees planted in collaboration with our farmers and various other stakeholders since 1978.

Additionally, farmers were trained on our fuelwood traceability initiative and their role in driving compliance with applicable regulations as stipulated by the National Environment Management Authority (NEMA). Furthermore, we collaborate with farmers to ensure that indigenous trees are not used for tobacco curing. As part of this, we issue farmers with tree seedlings for planting in their farms to replenish the wood fuel used and drive afforestation activities.

One of BAT Group's targets to which BAT Kenya is aligned, is to have a Deforestation and Conversion Free (DCF) tobacco supply chain by 2025. We implemented through monitoring using our farmer sustainability monitoring (FSM) tool. In the reporting period, 100% of fuel wood used for curing tobacco by our contracted farmers was classified as deforestation free, validated through our fuelwood traceability tool. Additionally, to enhance our efforts to eliminate conversion, we work with multi sectoral agencies to reclaim and rehabilitate biodiversity areas in our tobacco leaf growing regions, which has helped reduce the risk of forest conversion to agriculture land use.

Afforestation and biodiversity restoration

We continue to intensify our efforts in restoring areas of biodiversity significance in our areas of operation, which is informed by our annual biodiversity risk and opportunity assessment (BROA). As part of our afforestation programme Kijani, we have planted over 54 million surviving trees since 1978 with various stakeholders.

In 2023, we planted approximately 1,063,509 million trees, of which 927,509 trees were planted by our tobacco farmers.



This helps replenish used wood fuel and provide a sustainable source of fuel for tobacco curing. Further to this, we adopted Mt. Elgon and Cherengany Hills as part of the ongoing national afforestation programme. We aim to plant approximately 3 million indigenous trees in five years, in conjunction with Kenya Forest Service and National Environmental Trust Fund. The programme is expected to be operationalised in 2024. In efforts to drive conservation of indigenous forests, we ensured 100% of the fuelwood used for tobacco curing was from sustainable sources. This was verified through a traceability tool used to collect data collected from on-farm and off-farm wood fuel.

The tool was piloted in 2023 and will be externally verified after three years of successful deployment. In 2023 we undertook the following conservation projects which we have divided into our BROA site where we are responsible for growing the trees thus guaranteeing the survival rate compared to our donations where can't guarantee the survival rate of the trees.



Tree seedlings planted, donated for conservation in 2023 (Non-Tobacco farming initiatives)

Seedlings planted

Adopt a Forest (national programme), Biodiversity Risk Opportunity Assessment (BROA) sites & Institutions Supported

Region	Name of BROA site/ Institutions	Number
Oyani	Maeta Hill	20,000
	Mirema Hill	50,000
	Sagegi Hill	10,000
	Oyani River	5,000
	Omange Hill	20,000
Malakisi	Namuninge Dam	3,000
Others	Nairobi Water (Kikuyu Springs)	2000
GRAND TOTAL		110,000
Seedlings donated		
Region	Name of BROA site/ Institutions	Number
	Oyani Livestock Farm	10,000
	Migori County	10,000
	Angurai DCC Office	5,000
GRAND TOTAL		25,000

Agricultural waste

Our waste management efforts extend to our contracted farmers, with a key component being capacity building actions. This has seen 100% of our farmers trained on agrochemicals storage, use and proper disposal.

Waste from farmers	tonnes	%
Amount of waste collected from farmers	1.4	100%
Amount recycled	0.379	26%
Amount incinerated	1.058	74%







Water stewardship



BAT Kenya goals

- 35% reduction in water withdrawn by 2025 vs 2017 baseline
- 30% water recycled by 2025
- 100% of operations sites being Alliance for Water Stewardship (AWS) certified by 2025

Performance Summary

Globally, population growth, industrial water usage changes and climate change impacts on fresh water are putting pressure on water resources. As such, there is an urgent need to ensure sustainability of water resources on which we all depend. At BAT, water is vital both for our direct manufacturing processes and our tobacco farming operations. By using water more efficiently, we can reduce negative ecological impacts while protecting access to water by the wider community, which is a key component of Good Water Governance (GWG).

We drive various water stewardship initiatives at BAT Kenya, including reducing withdrawal of water, loss elimination and enhancing recycling efforts. In our direct operations, approximately 80% of water is used for tobacco leaf conditioning, while 20% is allocated to other amenities. In tobacco farming, water is key for irrigation.

Here, we drive optimal water usage through enhanced capacity building for farmers and adoption of efficient irrigation technologies, which reduces withdrawal of fresh water. Some innovations in tobacco farming include the use of float bed nurseries to ensure optimal water utilisation.

Highlights

62.5%

reduction in water withdrawn versus 2017 baseline.

100%

operations sites which are AWS certified.

20.5%


Percentage of total water recycled.

In tobacco processing, we reduce our impact on the environment by recycling process wash-off (water waste) for use in gardening and washrooms. We have also installed water misters to reduce water wastage during hand washing. These efforts have seen us increase our water rate of recycling to 20.5% in 2023 compared to 14% in 2022.

As a result of our track record, we have been recognised as a leader in water stewardship in Kenya, having received certification for our good water governance practices from the prestigious Alliance for water Stewardship, following a rigorous audit process.

Location	2023	2022
M3		
Nairobi factory		
Water Withdrawn	25,095	34,100
Water Recycled	7,198	6,274
Water Recycled %	22.3	15.5%
Thika GLT		
Water Withdrawn	9,962	10,107
Water Recycled	1,928	810
Water Recycled %	22.3%	7.4%
Trade distribution Offices		
Water Withdrawn	347	287
Water Recycled	0	0
Water Recycled %	0%	0%





Circular economy



BAT Kenya goals

- 25% reduction in waste from BAT’s operations by 2025 (vs 2017 baseline)
- 90% recycling rate of total waste generated by 2025
- <1% waste to landfill by 2025

Performance Summary

Circularity is based on maximising the use of resources by reducing, reusing, and recycling materials used.

Consumer demand for more circular products continues to rise. Regulators around the world are also increasingly introducing measures that hold manufacturers accountable for managing the impact of their products’ full life cycle. Extended producer responsibility schemes are prime examples of such initiatives.

As a business, we need to access raw materials, which include product packaging, from both local and global sources. As part of driving responsible manufacturing practices on circularity, BAT Kenya is a member of the Kenya Extended Producer Responsibility Organisation (KEPRO).

We recognise that enhancement of circular economy leads to reduction in GHG emissions and biodiversity loss, and have in place various measures to drive circularity. Over the years, we have maintained our track record of zero waste sent to land fill sites and through the BAT Group, embraced resource efficiency in product design, packaging, and our products’ end-of-life options. For example, we introduced and recyclable inner bundling paper for our cigarette packs.

Highlights

Zero

waste sent to landfill.

98%

Percentage of waste recycled.

100%

Cigarette packs sold in the market have recyclable inner protective paper*

* Recycling will require separation of the external poly wrap and paper

Waste management


In 2023 our operations generated 1,523 tonnes of waste, a reduction from 1,572 tonnes generated in 2022. Of this, 98% was recycled while 2% was incinerated, with zero waste sent to landfill. Food waste from our canteens is used as animal feeds.

We participate in various forums aimed at championing proper management of waste, particularly post- consumer waste. Speaking to this, BAT Kenya is an active member of the Kenya Producer Responsibility Organization (KEPRO).

Total waste metrics for 2023

Waste	Weight in tonnes
Total waste generated	1,523
Total waste sent to landfill	0
Total waste recycled	1,490
Incinerated waste	30





Health and Safety



BAT Kenya goals

- Zero accidents business wide each year
- 100% of farmers and workers with sufficient personal protective equipment (PPE) for agrochemical use and tobacco harvesting.

Performance Summary

The health and safety of our people and those who interact directly with our operations, is a top priority for our business. Our business operations are faced with a myriad of health and safety risks including external ones such as road traffic accidents and pandemics and internal ones such as slips and falls, illness, among others. To enable us maintain the highest standards, we have a robust EHS management system which includes a Health and Safety policy and global procedures and guidelines. We track health and safety performance across our sites, and a dedicated team assesses trends and high-risk situations that require a cross-functional coordinated approach.

Occupational health and safety

We aim to provide and maintain safe & healthy working conditions for our employees and contractors, towards a zero-accident workplace.

To facilitate this, we continually undertake hazard identification and risk assessments for the purpose of effectively controlling health and safety risks in the workplace alongside other strategic measures such as integrating health and safety objectives into performance objective at all levels, and tactical ones like providing proper Personal Protective Equipment (PPE) as may be applicable.

Highlights

Zero

- time lost to injury.
- work related accidents resulting in injury.
- serious injuries. fatalities.
- occupational illnesses.

Nurturing a culture of zero harm

In 2023 we ran our “Back to Basics” programme whereby staff were re-trained on the business-as-usual processes of occupational safety at the workplace. Key areas of reinforcement include:

- Risk assessments: Review of processes in each Function, analysing hazards and checking effectiveness of the controls in place to mitigate risk materialisation.
- LOTOTO (Lock Out Tag Out Try Out): this is a critical tool applicable to machinery use. It is aimed at ensuring that all energy sources are isolated when a machine is under maintenance or cleaning and prevents accidental powering-on of the equipment.
- Safety tours with the leadership team: This sought to enhance visibility of the shop floor for our senior leadership and further demonstrate commitment to a front-footed approach to driving the right safety behaviours and support for the teams.

To enhance safety in the factories through employee involvement, we launched a safety drive under the Integrated Work System (IWS) process. This helped enhance knowledge on

safety as well as creating ownership at all right levels. In 2023 we did not record any lost time injury, fatalities, serious injuries nor occupational illness in all our operations. As we continue nurturing a culture of zero harm at every location of our business, we have become a positive safety benchmark in our industry.

In April 2023 during the world safety day celebrations, BAT Kenya was recognised as one of the national leaders on occupational safety standards by the Directorate of Occupational Health and Safety Services and was awarded a first runners up award on the occasion after a thorough audit of the site.

Health and safety training

We undertake continuous improvement of our H&S training to provide employees with robust knowledge, skills, and experience to perform their jobs safely.

In 2023, we conducted various routine trainings including, risk assessment, lock out tag out and permit to work procedures among others.

We also implemented the following statutory training:

Training	Number of attendees
Defensive driving	20
First Aid	30
Fire safety	30



Human Rights



BAT Kenya’s ambitions and targets

- Zero child and forced labour in our tobacco supply chain by 2025
- 100% of product materials and higher-risk indirect service suppliers to have undergone at least one independent labour audit within a three-year cycle

Performance Summary

Our business and supply chain cover several industries with human rights considerations, including agriculture which faces the risk of child labour and health and safety concerns. We recognise our duty to respect human rights of our employees and rights holders across our value chain, as well as communities impacted by our operations. The BAT Group’s approach to managing human rights is aligned to the UN guiding Principles for Business and Human Rights, as well as local laws, including the Constitution of Kenya. At BAT, we strive to uphold human rights in all our operations. We work to ensure there is zero child labour within or operations including supply chain. We have instituted the following measures to enhance awareness with the aim of attaining zero child labour.

Managing human rights in tobacco farming

Farmer safety

We deploy various initiatives to facilitate and enhance the safety of our contracted farmers. This includes use of recommended pesticides supplied by BAT Kenya and use in line with guidelines provided. To bolster this, farmers receive training on handling of crop protection agents (CPA) including storage and use. All farmers are supplied with personal protective (PPE) for CPA application and harvesting to prevent

Highlights

- No identified incidents of forced labour in our tobacco farms for the reporting period.
- Sustained action on prevention of child labour in our tobacco growing operation.
- All contracted tobacco farmers trained on child labour prevention.
- All incidents of child labour reported, resolved by the end of the growing cycle.

Green Tobacco Sickness while working in the fields. Compliance with the use and condition of the PPE is monitored throughout the tobacco growing season.

To ensure that empty CPA containers are disposed of appropriately, we run a CPA material takeback scheme where farmers are supplied with a disposal bag for used CPA containers which we collect for proper disposal. In 2023, 100% of the farmers returned all empty CPA containers, including other chemical containers they may have within their homestead.

Prevention of child and forced labour

Child and forced labour are complex and challenging issues, especially in the agricultural sector. The Food and Agriculture Organisation (FAO)² of the United Nations reports that worldwide, the majority (about 70%) of child labour is found in the agriculture sectors such as crop production, livestock, forestry, fisheries or aquaculture.

At BAT Kenya, we have a range of approaches and programmes to support our aim of zero child labour in our tobacco supply chain by 2025. This includes human rights training for farmers and staff with a focus on prevention of child labour and workers rights. Further, farmers receive communication material including posters, booklets and a Frequently Asked Questions leaflet to ensure that this information remains accessible and top of mind.

Monitoring of child labour cases takes place throughout the tobacco farming season. In the back end, there are robust governance measures that seek to prevent incidents of child labour, including a comprehensive Standard Operating Procedure that spells out the due diligence and governance process for child labour prevention. As at the end of 2023, all contracted tobacco farmers had received training /capacity building on child labour issues.

Value and supply chain integrity

BAT Kenya's supply chain is categorised into two main sections: indirect (focuses on goods and services necessary to operate our business) and direct (materials used in the manufacture of our finished products).

We are proactively onboarding our suppliers to drive ESG integration in our supply and value chain. As part of this we conduct knowledge exchange sessions and collaborate on various initiatives such as tree planting. Our Supply and Value Chain Integrity approach aims at driving compliance with applicable laws and commitment as follows:

- a. **Good manufacturing practices.** To develop, use and promote industry best practices and sound technologies to optimise production in our processing facilities in meeting customer requirements, creating a safe working environment, improving energy efficiency and supporting environmental sustainability.
- b. **Environmental protection.** To comply with environmental laws, monitor our industrial activities, cooperate with our supply chain partners to formulate and implement strategies to reduce the environmental impact of the tobacco supply chain, promote energy efficiency, support biodiversity and conserve forestry and other natural resources.
- c. **Tobacco security, integrity and traceability.** To implement programs and strategies aimed at enhancing the security of tobacco supply and promoting tobacco quality throughout the supply chain for the purpose of optimal supply of compliant tobacco.
- d. **Social responsibility.** To operate in a fair and responsible manner, strive to be a beneficial and constructive supply chain partner to our stakeholders, and address key aspects and concerns of our industry and the farming and industrial communities in which we operate.
- e. **Good agricultural practices.** To develop, promote and use tobacco leaf production techniques and strategies that help to meet our customers' needs, promote farmer profitability and support environmental sustainability, biodiversity and resource conservation.
- f. **Fair labour practices.** To create opportunities for a qualified and diverse workforce at all levels of our organisation, and respect workers' freedom of association and other labour rights as defined by applicable laws, and help support our aim of zero child labour and forced labour in the farms of our contracted tobacco farmers.



Farmer Livelihoods and Communities



BAT Kenya's ambitions and targets

- Prosperous livelihoods: we are committed to working to enable prosperous livelihoods for all our contracted tobacco farmers in our tobacco supply chain

Performance Summary

The majority of BAT's global tobacco leaf volume is sourced by the Group's own leaf operations, to which BAT Kenya is a key contributor. Our tobacco farming operation in Kenya partners with contracted farmers to grow high quality tobacco leaf which is purchased by the Company at competitive prices. We have deployed a sustainable agriculture farmer livelihoods programme THRIVE, which is anchored on five 'capitals': financial, natural, human, physical and social. We also participate in the Sustainable Tobacco Programme (STP), a global industry initiative to promote good practice in tobacco growing.

Agricultural supply chains face vulnerabilities from climate change, demand for natural resources, rural poverty, social inequality human rights concerns and ageing populations. By working towards prosperous livelihoods for all farmers in our supply chain, we can contribute to the sustainability of farming. In 2023, we contracted approximately 1,672 farmers mainly in Migori, Homa Bay, Bungoma and Busia counties. Despite the ever-changing climate conditions, our partnership with our tobacco farmers yielded 4.8 million kilograms of tobacco in 2023, earning them an approximate total net pay of KShs 954 million.

Highlights

98%

tobacco farmers growing other crops for food or additional income purposes.

83%

farmers trained on crop diversification.

15,000

Avocado seedlings issued to farmers at competitive rates

Sustainable agriculture

BAT Kenya has a range of initiatives to promote sustainable agricultural practices as highlighted below. Further, we conduct research on ways to improve crop yields and enhance facilitate good agricultural practices. In 2023 we sustained and initiated various programmes covering the following areas:

Hybrid seeds: Following the introduction of hybrid tobacco seeds in 2022, we increased usage from 53% of farmers to 61% in 2023. This has seen improved yields compared to traditional tobacco seeds.

Soil Health: Healthy soil can provide nutrients and water to plants, filter the water, prevent pollution, store carbon and resist erosion. Soil health is determined by a variety of factors, including the presence of organic matter, the diversity of soil organisms, and the structure of the soil. We recognise that healthy soil is important for good crop yields and the various threats to soil health including loss of biodiversity, soil erosion, low pH levels and loss of organic matter.

In 2022 we rolled out a soil testing programme where soil pH levels were tested and corrected using liming. The correction of soil pH helps unlock nutrients and absorption by plants. So far 47% of our farmers' tobacco hectareage has been tested, with 100% correction for all soils that required liming.

To augment the practical interventions, we train farmers on soil protection methods and monitor soil protection methods used by farmers to determine areas of improvement.

Our 2023 data showed that 93% of our contracted farmers implemented at least one best practice soil management method on their farms. This translated to 63.9% of hectares of tobacco crop. Some of the practices deployed included use of wind breaks, terracing, growing crops across the slope and locating tobacco nurseries away from water sources like rivers.

Input Optimisation: To ensure the integrity of the tobacco crop, we provide supply contracted farmers with fertiliser, alongside guidelines on application. This is based on several factors including cost, tobacco variety, soils and carbon emissions rate. BAT's tobacco leaf growing research team carries out trials to ascertain optimal fertiliser application rates and related information, which is then cascaded to our farmers. We also undertake on-farm demonstrations to enhance farmer understanding of optimal crop fertilization.

Pest management: The BAT global Leaf Supplier Manual sets out the agrochemical guidelines that must be followed for all agrochemical use by BAT operations worldwide.

All agrochemicals used must be registered for use in tobacco growing by the relevant government agency. In addition, an annual agrochemical risk assessment is carried out to ensure that residues in packed tobacco comply with the Guideline Residue Levels in the CORETSA Guideline No.1. Farmers are also trained in handling, storage and application of agrochemicals.

We are in the process of implementing an Integrated Pest Management (IPM) programme which includes enhancement of biological based pest and disease interventions including, use of other fauna e.g. birds to deal with pests and the introduction of biological based pesticides and herbicides. The majority of the IPM techniques are under trial basis currently.

Chemical weeding: Weeding is a highly labour intensive process. As such, it is a high-risk area for child labour use. To help address this and reduce the cost of production by reducing manual labour use by our farmers, we introduced chemical weeding in 2023. It covers approximately 7% of the total hectareage under tobacco.

Complementary crops/diversification

We continue to focus on facilitating diverse sources of livelihood for our contracted farmers, which improves their financial health and wellbeing. In 2023, we sustained our distribution of

certified maize seeds to farmers to plant during the rainy season, issuing about 15 tons. This is aimed at boosting food security and increasing household incomes through the sale of surplus maize harvests.

It is estimated that households consume 50% of the crop they grow and sell 50%. We also distributed over 15,000 avocado seedlings to farmers in 2023, being the second year running this initiative.



This is supported by monitoring the survival rate of the seedlings annually to establish the success rate of the project.

Further, we introduced a vegetable garden project to 20% of the farmer base on a pilot basis. As part of this, 59.6 kilogrammes (Kgs) of vegetable seeds, kale and black nightshade were distributed to farmers and women in our women's development programme on a pilot basis. By the year end, the project proved successful, with most of the vegetables contributing to food security within the homestead.

Building farmer resilience

Through BAT's sustainable agriculture and farmer livelihoods programme THRIVE, we encourage our farmers to diversify their income sources, which can improve food security, reduce dependence on tobacco and reduce resilience. In addition we engage farmers through empowerment programs such as community development initiatives, training on health and safety protocols, environmental management and grievance mechanisms.

Crop insurance

A key component of THRIVE at BAT Kenya is facilitating crop insurance against adverse weather incidents. As a result of climate change, our tobacco farmers face the potential of crop losses due to floods, drought, pest attacks and disease outbreaks, which increases the vulnerability of farmers and their general households. The crop insurance facility helps to mitigate such financial risks and uncertainty, promoting stability in their farming operation.

Training and Capacity Building

To further support farmers to enhance their crop yields and livelihoods, we conduct regular training on various related topics including how to improve tobacco growing and curing skills through specific tobacco crop growing, curing and barn management techniques. In addition to deployment of technology and innovation, this training has led to enhanced crop yields of approximately 8% in 2023 versus 2022.

Additionally, we deployed training on crop diversification women development, rural youth development, hygiene and sanitation and prevention of child labour.

Below is a snapshot of attendance to the training programmes conducted in 2023:

Initiatives	Percentage
Farmers trained on crop diversification	83%
Contracted farmers and other farmworkers trained on PPE use	100%
Farmers trained on women empowerment	98 %

Women empowerment

To promote diversity and inclusion at the farm level and drive women empowerment, we formally launched our Rural Women Development Programme in 2023 following a successful pilot the prior year.

BAT Kenya has earmarked approximately KShs 10million for the programme for the next three years, targeting about 1,600 women in the tobacco supply chain in Kenya. These women will include BAT Kenya contracted women farmers and spouses of our male farmers.

Approximately 270 women were covered in phase 1 of the project which saw get trained on women’s rights and sustainable agriculture.

This will be enhanced to include entrepreneurship and financial literacy training in 2024. Further, 15 women were trained on growing of button mushrooms in tobacco barns as part of the potential entrepreneurship programme.

Land rights

We carry out annual monitoring and mapping of land used for tobacco growing by our contracted farmers. This helps us determine the legal / rights status of the land and ensure that our tobacco farming operation is in good regulatory standing.

To drive our target towards zero deforestation and zero conversion of land to grow tobacco within our supply chain, we also undertake continuous monitoring for the risk of deforestation of native forests and conversion of land from native land or areas of key biodiversity lands, for tobacco growing.

Prior to contracting new farmers, we check various related aspects, including whether the farm is located near an area of biodiversity concern. If an existing farmer is located near a key biodiversity area, then a biodiversity management plan will be put in place and monitored by ourselves and the farmer. We also train farmers on legislation developments that that are relevant to them.

Community resilience and engagement

We recognize the value of developing the local communities in which we operate. To drive this, we have a structured way of engaging with our farmers who make up the local community, through farmer barazas, meetings and farm visits. We also undertake focus group discussions with farmers every two years to understand their needs and receive feedback on ongoing programmes.

With regards to the wider community, we engage them through the local and county governments including for the deployment of community programmes. This ensures that these initiatives are aligned to the actual needs of the community. To this end, we have previously carried our programmes such as cleaning of the environment and water, health and sanitation (WASH) initiatives.





Case Study: BATech Programme

BATech is a yield and quality improvement initiative geared towards enhancing farmer livelihoods and driving farming efficiency through cost management. It provides farmers with technical support, anchored on the following objectives:

- Enhance and streamline agronomy knowledge and implementation of Good Agricultural Practices across farmers;
- Improve crop yield and quality, consequently improving their income and welfare; and
- Enhance sustainable farming and farmer livelihoods.

The program is implemented through outsourced personnel who conduct weekly visits and at various phases of the crop cycle. The process includes:

- Bi-weekly farm visits;
- Demonstration training;
- Follow up on technology adoption;
- Step by step incremental approach in farmer engagement; and
- Monitoring of farmer yield and quality progress.

The initiative has been key in embedding new technological innovation to farmers, which has had direct benefits on yield and quality and ultimately, earnings. About 280 farmers have directly benefited from the programme since its inception in 2022.

Farmers participating in the programme have recorded an average 8-15% increase in yield which has seen compounded positive impacts, including child labour prevention and reduction in the farmer cost of production.

Highlights

- Currently, 23% of the total tobacco hectareage is mechanically ploughed. These mechanical interventions help reduce the cost of production through reduction of manual labour and time taken to prepare land and transplanting seedlings from the nurseries. We have seen a reduction of man hours used to plough one hectare for first and second ploughing from the traditional 15 and 10 hours respectively to 3.75. For ridging one hectare of land, this has reduced from 22.5 to 2.5 hours.
- Increased the total percentage of hybrid variety seeds used to 61 % of the total portfolio. These seeds are more vigorous and more resistant to drought.
- Float bed nursery system: introduced in late 2021 and expanded in 2022, with 32% of the current tobacco seedlings being grown through this method. This system requires less manual work e.g., watering and resetting and provides more uniform and vigorous seedlings due to precise fertilizer dosing. It also moves farmers away from establishing seedbeds near rivers in search of continuous water supply and reduces the overall amount of water used at the nursery stage of tobacco growing. Transplanters were also introduced to transplant

seedlings from the float bed nursery, and they have been deployed to all farmers who adopted the float bed seedlings. Transplanters reduce transplanting time from the traditional 55.5 hours to 18 hours, while reducing manual labour by 50% which reduces production costs for the farmer.

- Mainstreaming of the Central Seedling Unit (CSU) introduced in 2021 as part of the floatbed nursery. 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 2022, the CSU venture was expanded through the decentralised Seedling Unit programme, including taking the technology to the farmer homesteads where the seedbeds are constructed.
- To effectively implement new technologies, enhance yield, improve quality and drive sustainability in tobacco farming, a concerted effort is continuously being made to build the capability and skill levels of farmers through the introduction of specialised field technicians who support technology rollout and research. This is in addition to the existing internal and external training carried out. Extension services also help to ensure that product quality begins at the source - at the seed planting level to ensure that the final product conforms to stringent quality specification in terms of physical and chemical dimensions.

The introduction of technology and mechanisation has seen encouraging results and is a huge contributor to tobacco crop yield growth as well as efficient crop water utilisation in tobacco production. Water withdrawn is only used at the seedling development stage as the crop in the field is rain fed.

The total amount of water withdrawn from tobacco farming in 2023 was 28,246m³ with overall water efficiency at 11.16m³/Ha.

BATech has been key in addressing some of the emerging issues in tobacco farming, with key benefits including:

- **Child labour prevention** – BATech aims to increase tobacco yield and quality, which helps enhance farmer incomes. In general, farmers whose livelihoods are more stable may have less incentive to consider utilising child labour on their farms.
- **Supporting income generation**- Innovation and technology has increased farming efficiencies. This in turn reduces manual labour and lowers the cost of production. Farmers are subsequently able to enhance their earning power due to reduced CoP and increased tobacco yield and quality.
- **Environment** – The BATech programme promotes environmental conservation by reducing the amount of water that is withdrawn and used for watering conventional nurseries. Any fertilisers and pesticides used are also contained within the floatbed. As such, no wash-off can occur to water bodies, thus helping to mitigate water pollution. The floatbed ensures that all the water and fertiliser is absorbed by the plant, such that by the time the plant is being taken out for transplanting, the bed is completely dry.

The most fundamental lesson from BATech is that technology works, if properly and collaboratively implemented alongside Good Agricultural Practices (GAPs). We are considering other additional programs to support farmer livelihoods and community development, including:

- **Income gap analysis** – annual monitoring of farmer cost of production and profit levels to support farmer livelihoods.
- **Water and sanitation programmes**– investment in rehabilitating water infrastructure in communities where we operate. This is to ensure that they, and the community have access to clean affordable water and enhances our overall water stewardship agenda.



Farmer Spotlight:

Joseph Okuthe
West Kanyamkago Location



Joseph's story encapsulates the essence of sustainable farming practices, crop diversification, and the pursuit of food security. His journey from an employee at the Central Bank of Kenya to a full-time farmer is testament to his dedication to agriculture and championing sustainability as a BAT Kenya contracted farmer.

Joseph commenced his farming endeavors in the early 1970s while simultaneously working at the Central Bank of Kenya. At the age of 50 he decided to retire and focus entirely on his lifelong passion - farming. He inherited tobacco farming from his father, who had cultivated the crop alongside other staples like sugarcane.

While Joseph appreciated the financial returns of tobacco farming due to its short seasonality and rapid maturity, he recognised the importance of diversifying

his crops through the various programmes highlighted by BAT Kenya as part of THRIVE, the Company's sustainable agriculture and farmer livelihoods programme.

Over the years, he has not only continued with tobacco and sugarcane farming, but has also ventured into growing other crops for subsistence and commercial purposes. These include groundnuts, bananas, maize, cassava, and kale. Additionally, Joseph has planted approximately 850 avocado seedlings, further expanding his crop portfolio.

His commitment to crop diversification goes beyond financial gains; it is rooted in ensuring food security for his family and community. By cultivating a variety of crops, he mitigates the risk associated with relying solely on one or two commodities.

Moreover, his adoption of sustainable farming practices, guided by the knowledge provided by BAT Kenya's extension service officers, underscores his dedication to environmental stewardship and long-term agricultural viability.

Joseph's farming activities have not only sustained his livelihood but have also facilitated significant investments. The financial stability derived from tobacco and sugarcane farming has provided him with the resources to diversify his investments and secure his family's future.

Joseph's journey underscores the importance of leveraging knowledge, embracing innovation, and prioritising resilience in the face of evolving agricultural challenges. As we navigate the complexities of the modern agricultural landscape, Joseph's story serves as an inspiring reminder of the potential for positive change through sustainable agriculture.





Employees, Diversity and Culture



BAT Kenya Goals

- 45% representation of women in senior leadership by 2025
- 5% representation of people with disabilities in the organisation by 2025

Performance Summary

Society's expectations of employers continue to evolve. By bringing in different perspectives to the workplace, we can better respond to customer needs, thereby enhancing our performance and innovation. Moreover, investing in our people and taking care of their physical and mental wellbeing enhances our employer value proposition, which in turn enables us to attract and retain Talent.

At BAT Kenya, we support our employees in realising their individual purpose by fostering a dynamic and inclusive culture and providing development opportunities and fair treatment. Further by supporting their physical and mental health, we can positively impact their lives, in and out of the workplace. Given our global footprint, we believe that our impact can also extend beyond the organisation by setting as example of good practice in the business community.

We have a clear strategy and policy framework to guide our People agenda. These include:

- Our Group diversity and inclusion (D&I strategy) adopted for local implementation, which is built on strategic pillars for ownership, accountability, diverse talent pipelines and enablers, all fostering an inclusive culture.

Highlights

47%

women in senior leadership teams.

6

times certified as a Top Employer by the Global Top Employers Institute. (2018 to 2023)

86%

score on the perception of employees on people management.

2%

representation of people with disabilities (PWDs)



- Our Group Employment Principles, adopted for local implementation, which encompass commitments to a diverse workforce, reasonable working hours, employee wellbeing, Talent, performance, equal opportunities and competitive remuneration.
- Group Standards of Business Conduct (SoBC), adopted for local implementation, which include the Respect in the Workplace policy, outlining commitments to equality, diversity, anti-harassment and safeguarding employee wellbeing.
- BAT Kenya Health & Safety policy which outlines our commitment to apply the highest international standards of health and safety for our employees as well as third party personnel on company premises. To achieve our goal of zero accidents.

Diversity and inclusion

We are committed to driving an inclusive culture that respects and embraces the diversity of employees, stakeholders, and society. 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. We have a powerful strategy that covers various aspects, more so, on Gender, Persons with Disabilities (PWD) and Generations.

Gender mainstreaming

We are committed to driving equity in gender representation across the organisation. One of our key D&I targets is achieving 50% representation of women senior leadership teams by 2025, and we are tracking at 47% as at the end of 2023. From a wholistic perspective, gender equity informs our people agenda, and as such we have invested in initiatives targeting both men and women, including embedding gender driven affinity programme in our workplace.

These groups provide employee driven safe spaces for them to share and engage on diverse life and professional experiences to support learning and development as well as foster employee wellbeing.

Breakdown of gender per Function

Function	Male	Female
Operations	224	44
Marketing	44	45
Finance	22	16
Corporate, Regulatory Affairs, Legal & Compliance	10	11
Information & Digital Technology (IDT)	5	3
Exec & Corp Services	2	1
Human Resources (HR)	2	8
Grand Total	309	128



On the PWD front, we championed diversity awareness activities to sensitise employees on inclusion of PWDs in the workplace, covering etiquette, emergency response and evacuation of PWDs.

This was delivered in partnership with the Kenya Business Disability network (KBDN), National Council for Persons with Disability (NCPD), and Local universities. We received certification from the global Top Employers Institute as a Top Employer in Kenya, Africa and the Globe for the 6th consecutive year in 2023, coming in 2nd position nationally. In addition, we won the Leadership and Governance category award at the 2023 FKE Employer of the Year Awards. Over the years, we have evolved into one of the most attractive employers in Kenya by recruiting, developing and retaining outstanding talent, and building an inspiring and purposeful place to work.

Generations

We believe that diversity in age representation brings about different perspectives which enrich our business strategy and ways of working. We have seen a steady increase of the latest generation as they enter the workforce, reflective of market realities, which we are committed to reflecting in our organisation. The table below shows disaggregated data of BAT Kenya’s direct employees age profile in the last three years.

Employee age bracket	2023	2022	2021
18-35	40%	41%	38%
36-55	60%	59%	62%



Fit for purpose organisation design

Positioning ourselves for long-term growth is about embracing change and being an organisation that is bold enough to accept that we need to transform to evolve. In 2023 we continued to drive business simplification in line with our ambition to build a future-fit business. This saw the optimisation of various roles and structures to drive efficiency and support our transformation ambition.

We had a healthy level of churn, attracting 21 new hires into our organisation. 82 employees changed roles by way of promotions or lateral moves, testament to our commitment to continuous talent development. Voluntary exits stood at 4.2% which is below the industry average of 6%, which is testament to our strength as an employer of choice.

This is demonstrated below.

Exit reason	Exits as a percentage of permanent employee population		
	2023	2022	2021
End of Contract	4.0%	1.9%	2.4%
Misconduct	1.2%	0.2%	0.2%
Mutual Separation	-	0.5%	-
Redundancy	3.5%	0.7%	0.5%
Resignation	4.0%	4.2%	3.3%

Organisational culture and a legacy of leaders

Workforce engagement

Our workforce engagement strategy centers around ongoing and open dialogue between employee and the leadership, enabling us to create a more collaborative, diverse and inclusive culture. We have established a range of engagement channels to understand employee perspectives, including market and site visits by the leadership, townhalls, Q&A sessions, among others. We also deploy employee listening tools, including the Your Voice Survey on specific topics with indepth focus groups.

Your Voice Matters!

Your Voice Survey (YVS), our employee opinion survey ran every two years, is one of our most important listening channels. It helps us understand what our people value, what they think is working well and what needs to improve. Alongside the specific category questions and benchmarks against the external high performance and sector (FMCG) norms, the survey also provides insights into how well we are living our BAT values across the organisation.

The survey was deployed in 2023, recording good scores and valuable insights. Some highlights include:

- » **Corporate Responsibility: 91%**
 - Assessed the approach to conducting business in an ethical way, in line with internal sustainability agenda, external regulations and internal policies.



- » **Sustainable Engagement Index: 86%**
 - The extent to which employees are motivated, enabled and energised to deliver their best performance, and sustain it over time.
- » **Innovation: 86%**
 - Employees' views on how we embrace innovation on our day-to-day work to drive improvement
- » **People Management: 86%**
 - Perception on the management of teams and individuals by direct Supervisors/Managers.

Our Leadership Academy

We take proactive and robust steps to develop and nurture top quality talent through various programmes, covering personal and professional growth. A key outcome is that we are a net exporter of talent across the BAT group. In 2023, we had 18 Kenyans working across the BAT group globally, who return to the country after their assignment to pass on their knowledge and experience to the local teams.

In 2023 we reinforced our efforts to strengthen leadership development programs that support employees at their current level and support them upon promotion. These programs encompass a wide range of topics, including line manager upskilling, and effective leadership of self, teams, and others.

Additionally, we introduced the seven essential learnings series aimed at enhancing critical knowledge and reinforcing leadership behaviors essential for achieving our desired future. To foster ongoing learning, business leaders curated playlists where employees could engage and immerse themselves in learning opportunities.



In our efforts to enhance competencies and skills we dedicate resources to develop skills among employees at all levels within each function. This therefore means that each function manages its own budget and training requirements. It is the responsibility of functional leaders to ensure that learning opportunities are provided within their departments to address any skill gaps identified among their team members.

As part of our digital transformation, we augment our capacity building initiatives with a medley of digital platforms to facilitate training and skills development.

A key skills development platform for BAT Kenya is the GRID. This is a Learner Experience Platform (LXP) that sits side by side with our Learning Management System (LMS), Success Factors. The Grid houses all BAT learning content in one place for our management teams. It contains Functional & Leadership learning / in-house & third-party content / e-learning, videos, articles, podcasts, general browsing for content and skills development.

In 2023, we recorded a utilisation rate of 96.15% on the GRID, equating to an average of 24 hours per employee throughout the year.

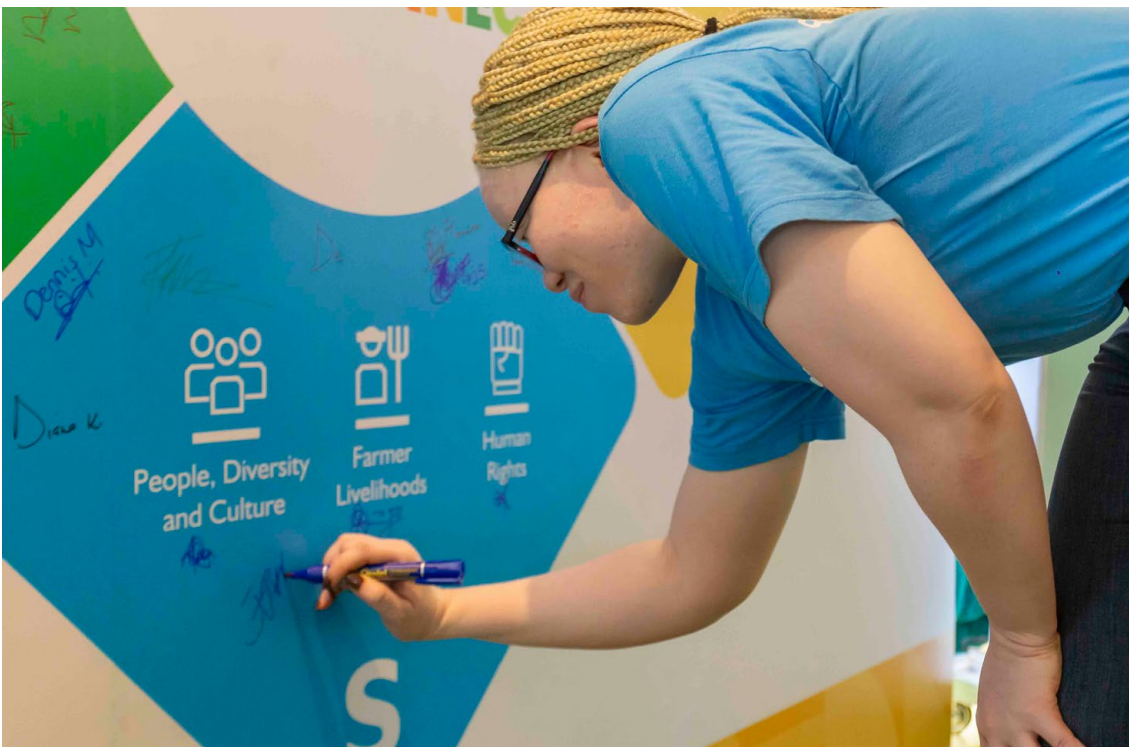
Another platform is Edapp, a cutting-edge platform designed to provide comprehensive support to our field force team by delivering engaging micro lessons specifically crafted to enhance our Must Win capabilities.

These micro lessons encompass various modules, among which is the impactful POSITIVE module. POSITIVE meticulously outlines eight essential steps to drive a consistent and effective approach for our trade and marketing staff.

Complementing this, our Leading Teams module focuses on empowering team leaders to effectively guide and inspire their teams towards shared goals.

Additionally, our leadership upskilling sessions offer continuous development opportunities for all levels of leadership, fostering a culture of growth and excellence.

Furthermore, we commit to advancing gender diversity through our women in leadership initiatives, providing tailored support and resources for women to thrive in leadership roles.





Employee Spotlight

Meshack Lumumba
Senior Manager, Commercial Finance



I joined BAT as a global graduate (GG) trainee in 2016, where I worked in multiple Functions including Trade & Distribution, Leaf Operations, Human Resources and Finance.

This approach provided me with an understanding of the wider business operations, which is key to enable high levels of performance and facilitate career growth.

After graduating from the GG programme in 2017, I embarked on a global assignment as Finance Manager for BAT in Rwanda where I led the delivery of a business model change that facilitated significant business savings and driving efficiencies.

I returned to Kenya in 2018 on promotion to the role of Commercial Finance Manager – Operations, where I oversaw various projects, including CAPEX delivery to build our modern oral nicotine plant.

In 2021 I moved to the role Corporate Finance Manager where I oversaw 18 markets in the East Africa cluster.

In this role, I spearheaded the simplification of our reporting process, delivery of financial targets and enhancement of team cohesion and training. I took on my current role following successful completion of an international assignment as Senior Commercial Finance Manager for BAT South Africa. Key milestones in this role included prudent stock management, risk management and business simplification through reporting automation.

My professional development and career progression thus far has been enabled by the opportunities and capacity building initiatives provided by BAT, alongside my personal ambition and ownership to leverage these opportunities.

Employee wellbeing

Nurturing our Wellness (NOW) is a strategic pillar launched in 2022 aimed at empowering employees to own their wellness journey.

It articulates our organisation’s commitment to employee wellness and well-being. Our wellness programs take a wholesome approach, covering physical, mental and social wellbeing.



It is aimed at empowering employees to take charge of their own wellness journey. We continued to champion NOW in 2023.

Our NOW proposition entails:

- Ensuring a healthy workplace
- Co-creating impactful wellness solutions customised to our employees’ needs.
- Providing and availing specific targeted wellness tools and resources
- Empowering our employees to live healthier by encouraging them to make a positive impact in their lives
- Ensuring continuous improvement by regularly evaluating and adjusting our wellness strategies

Parents@BAT

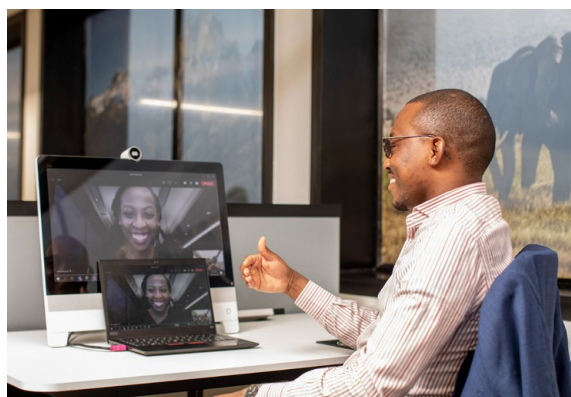
This is a programme aimed at supporting both biological and adoptive parents at the workplace. It offers better terms than existing legal requirements, including a minimum of 16 weeks’ fully paid maternity leave for new mothers and adoptive parents and a return-to-work guarantee. It also includes flexible working opportunities and an online advice service offering coaching support.

At BAT Kenya, this also includes two onsite mothers’ rooms at our Nairobi premises where nursing mothers can express breast milk and attend to related needs. Parents do not bring their children to work as access to our premises is restricted to persons over the age of 18 due to the nature of our business.

Flexible working

We remain committed to building a work environment that is conducive to facilitate efficient results delivery and is sensitive to the personal circumstances and needs of employees.

The Company believes that work-life integration can be enhanced through flexible working hours, as this enables individuals to adapt their working arrangements to suit unique personal circumstances in line with our Core Value of being Consciously Responsible. In line with this, we have adopted a more flexible approach to empowering employees to be adaptable and responsive to business needs, working in a manner and timeframe that ensures effective job performance.



This commitment aligns with our Diversity and Inclusion agenda and reinforces our reputation as a great place to work. At BAT Kenya, office staff are required to work from office a minimum of three times a week, while the other two days are at their discretion to either work from the office or from home/remotely. This has among other benefits, helped to address day to day work-life elements such as inconveniences caused by heavy traffic and unforeseen events, address work expectations of emerging Talent pools and empowering the individual to manage his/her output.

Talent development

NextGen

Through NextGen, our mentorship programme, we seek to continuously build a solid bench of entry level talent and contribute to the preparation of continuing adult students with disabilities and those in science, technology, engineering and mathematics courses (STEM), for the world of work.

Selected institutions participating in the NextGen programme include the National Industrial Training Authority (NITA), Kenyatta University (KU), University of Nairobi (UON), Rongo University and the Jomo Kenya University of Agriculture & Technology (JKUAT). In 2023, the NextGen programme had a cohort of 40 university students.

BAT managers worked closely with the learning institutions to deliver mentorship and a curriculum of soft skills training needed to thrive in the workplace. Not only did the students get an opportunity to virtually experience a day in the life of a BAT employee but also gained invaluable knowledge from the soft skills modules. To ensure optimal participation in the NextGen programme throughout the nine months, we supported the students with data bundles to facilitate virtual learning, as well as sign language interpreters for the deaf.

Battle of Minds

BAT's Group's global Battle of Minds competition (BOM), a component of the Group's employer value proposition (EVP), offers final-year university students or recent

graduates the chance to present innovative business ideas addressing Environmental, Social, or Governance (ESG) challenges. Participants have the opportunity to secure funding for their winning project or potential employment at BAT.

In 2023, we received an outstanding 76 submissions, with participants in the global pitch focusing on Tech, Inclusion, Bio, and Energy challenges. Team HyaPak from Kenya sailed through to the global finals and emerged winner. Congratulations team Hyapak.

Reward and remuneration

We strive to provide fair and competitive remuneration and benefits to our employees. We continue to make reward-related investments and decisions to support our employees, based on a robust review of prevailing organisational and market realities.

Industrial relations

Industrial relations and employee engagement with unionised employees is an essential part of enabling engaged and motivated teams, and providing a harmonious environment. Working hand in hand with related external stakeholders, such as the Trade Union and Federation of Kenya Employers is paramount. Internally, the Collective Bargaining Agreement for unionised workers at BAT Kenya is an important tool that ensures we remain competitive and attract nurture and retain strong talent to facilitate of our strategic imperatives. In 2023, 144 employees were part of a union (Kenya Union of Commercial Food and Allied workers).





Item	Statutory requirement	CBA Provision
Basic pay	KSHS 28,487.00	KShs 64,857
Leave allowance	Minimum not provided	KShs 28,000 per annum
Housing allowance	Up to 15% of basic pay	KShs 29,550
Shift allowance	Minimum not provided	Up to 17% of basic pay
Redundancy	15 days for every year worked	4 days for every month worked
Meal allowance	Minimum not provided	KShs 650
Leave	Annual leave: 21 days Sick leave <ul style="list-style-type: none"> • 30 days on full pay • 15 days on half pay 	Annual leave: 30 days Sick leave: <ul style="list-style-type: none"> • 3 months on full pay • 3 months on half pay • 3 months on a third pay - in any given year
Acting allowance	Minimum not provided	17% of basic pay
Responsibility allowance		19% of basic pay

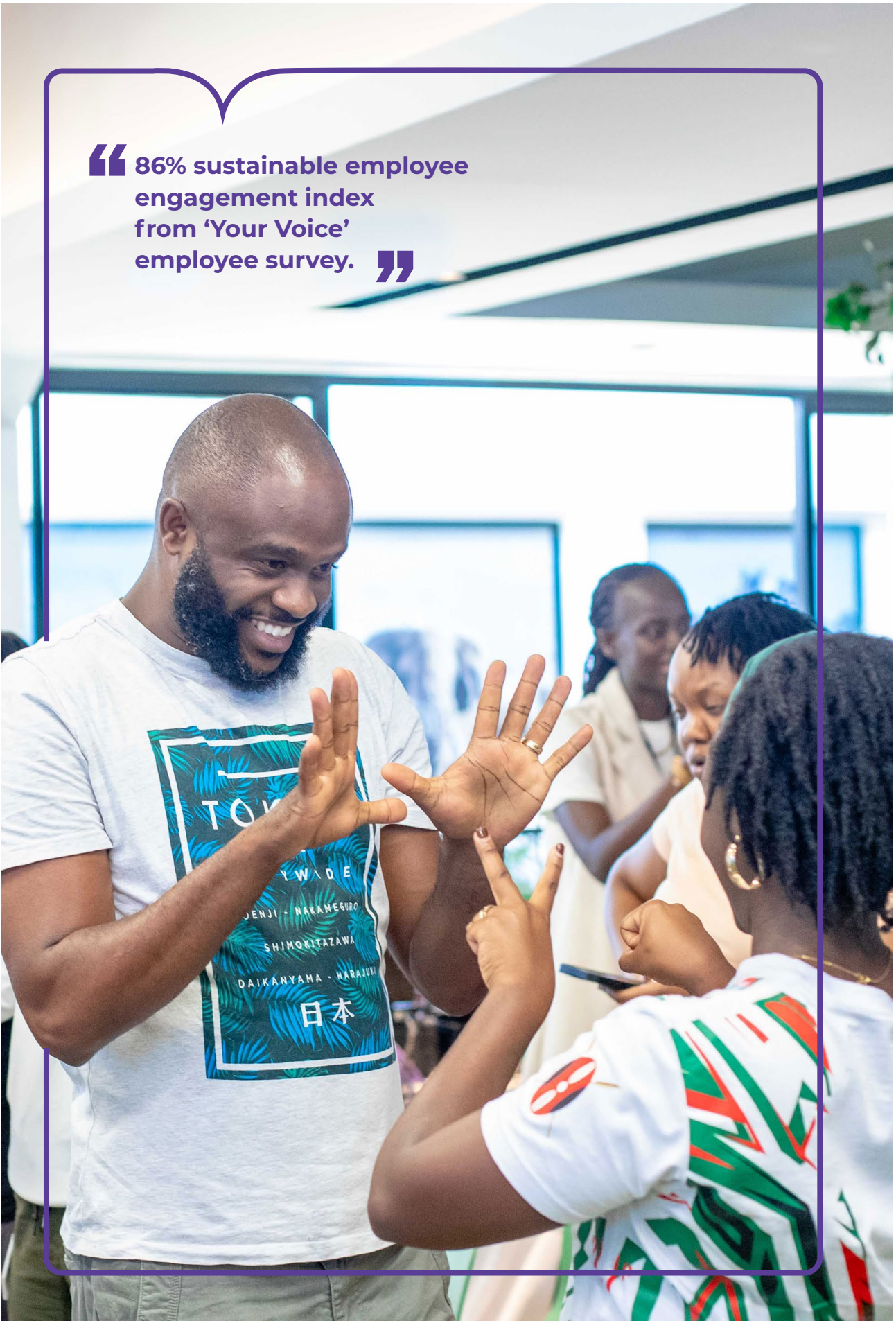
Pay equity

We firmly believe that diversity is at the core of our culture and business sustainability. Our aim is to establish a respectful and inclusive environment where individuals can thrive, enabling us to cultivate talented and diverse teams that drive exceptional business results.

In line with our commitment, we conduct an Annual Salary Review (ASR) where salary increases are awarded based on an employee’s annual performance rating. Line managers facilitate this process transparently in line with set guidelines, considering the employee’s position within the salary band of their grade.

We continuously monitor pay gaps across grades based on market dynamics. At each grade level, we offer market-competitive pay ranges that employees can progress into based on performance and tenure. Top performers continue to benefit from an accelerated pay increase matrix.

“ 86% sustainable employee engagement index from ‘Your Voice’ employee survey. ”



Pay Gap Report

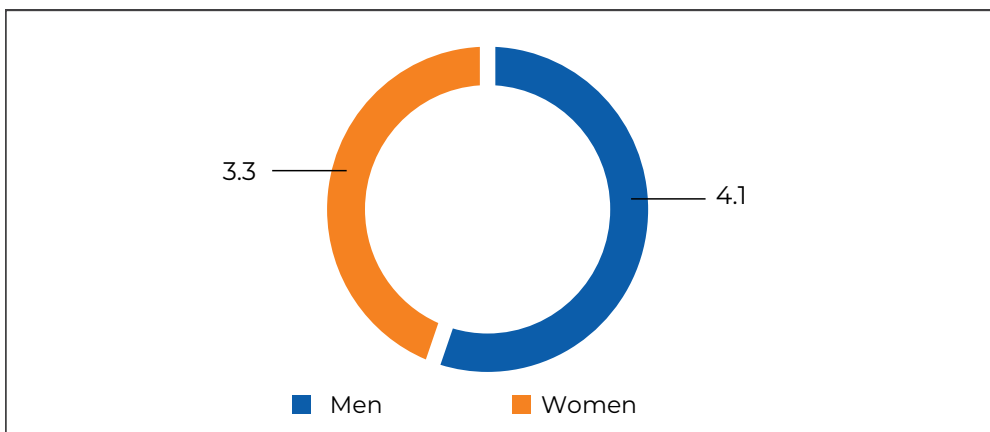


The following pay gap summary information applies to non-unionised direct employees of BAT Kenya.

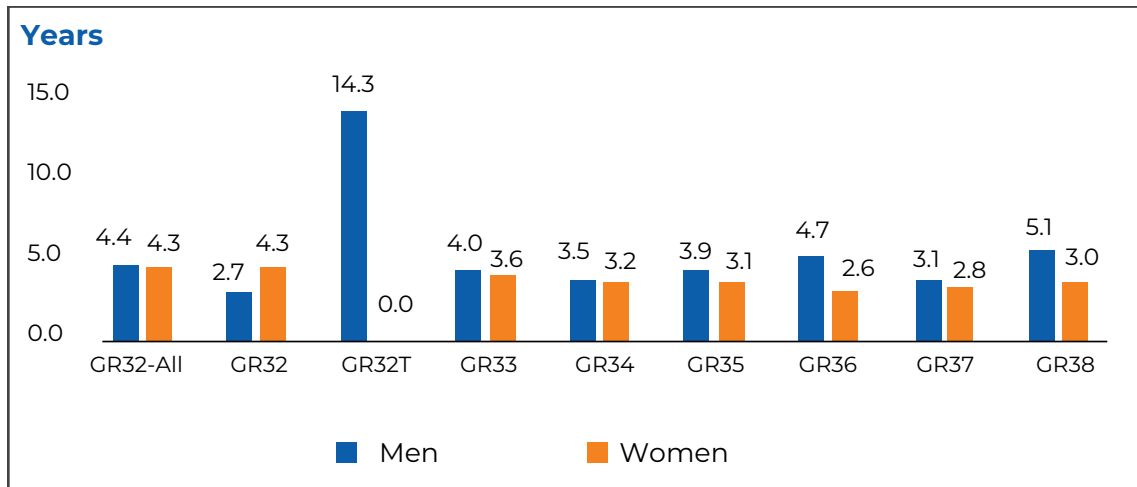
In BAT, we use 'Total Pay' to recognise performance. We invest significantly in employee development to ensure that employees can perform at an optimal level and bring their uniqueness and contribution to the business. For each grade level, we have market-competitive pay ranges that our talent can grow into, depending on their performance and time in grade. This is the main determinant of any existing pay gaps, where there are no special factors such as in operations where less women apply for technical jobs. Pay growth can be accelerated by a pay increase matrix that awards higher pay increases for top performers.

The charts below highlight the average time in grade and the pay distribution within the grades, which is impacted by Years of service (YOS) and the annual salary review (ASR). From our most recent analysis, our men talent group has a higher average time in grade. This means that on average, they stay longer within the same pay grade than women. Our retention of more women should contribute to a more balanced average time in role.

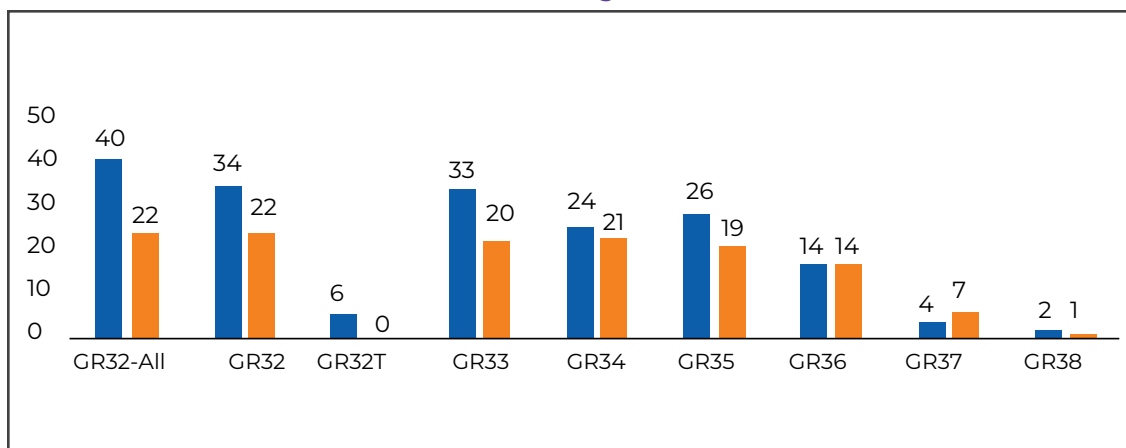
Average years in grade per gender



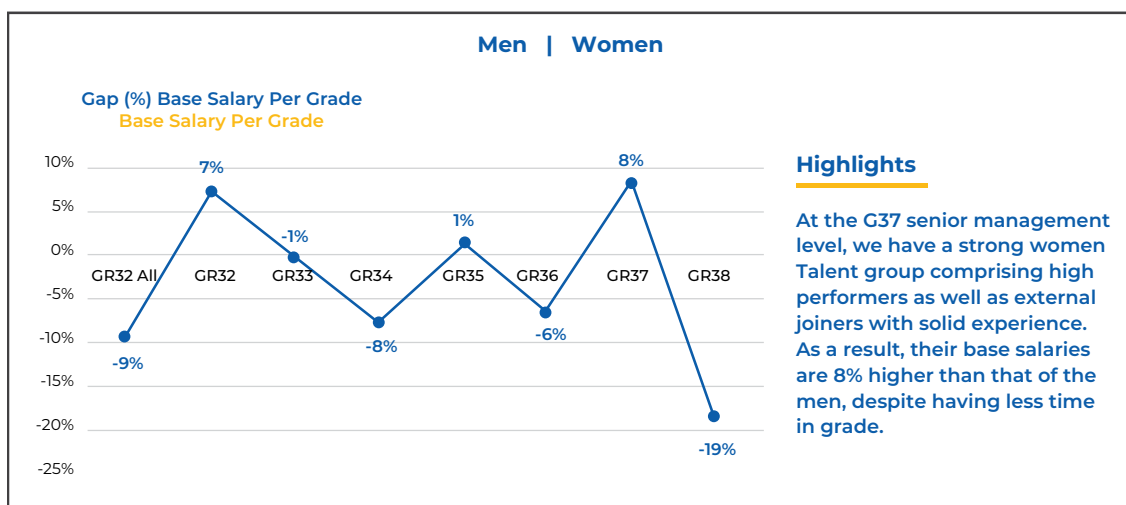
Average Time in Grade



Headcount Grade vs gender

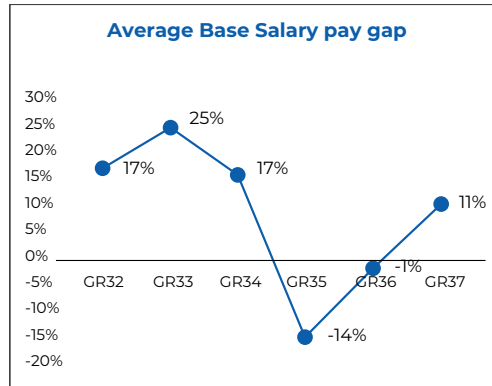
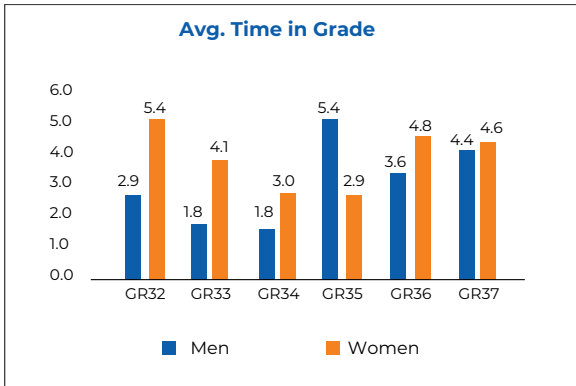


Headcount Grade vs gender



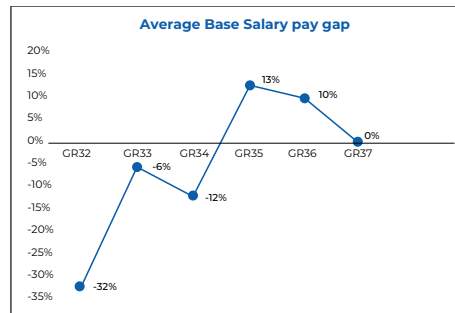
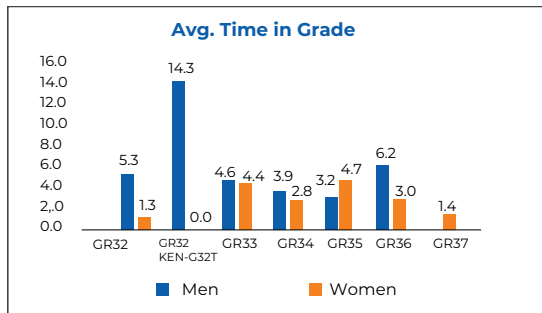
Breakdown by Function

Marketing



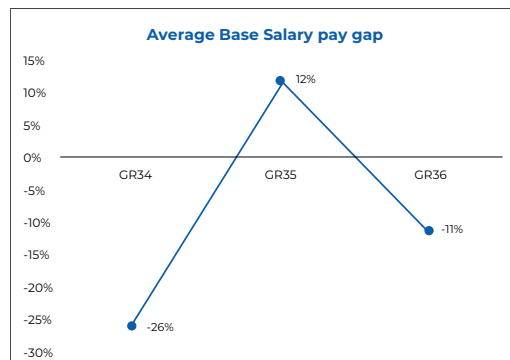
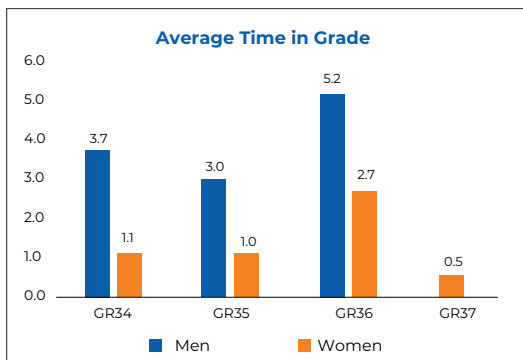
In Marketing, representation of women stands at 55% and accounts for the largest number of women population in the company's employee population. Further to this, women generally stay longer in the grade compared to men. This has progressed their salaries over time compared to their male colleagues.

Operations



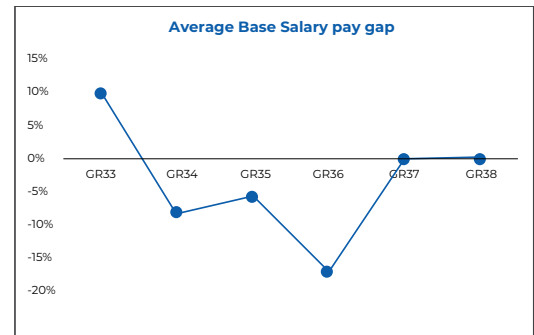
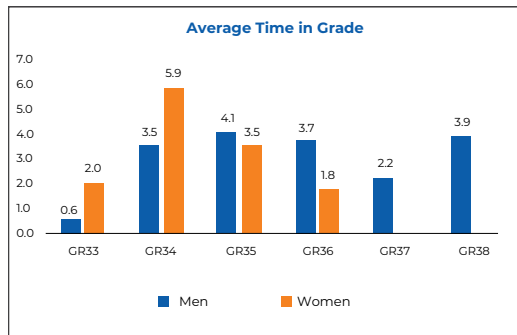
In operations the population is predominately men [83/30]. However, we are proud of our strategic approach in recruiting women across the Function, to accelerate closure of the gender gap as we progress towards our 50/50 gender balance ambition.

Corporate, Regulatory Affairs, Legal & Compliance



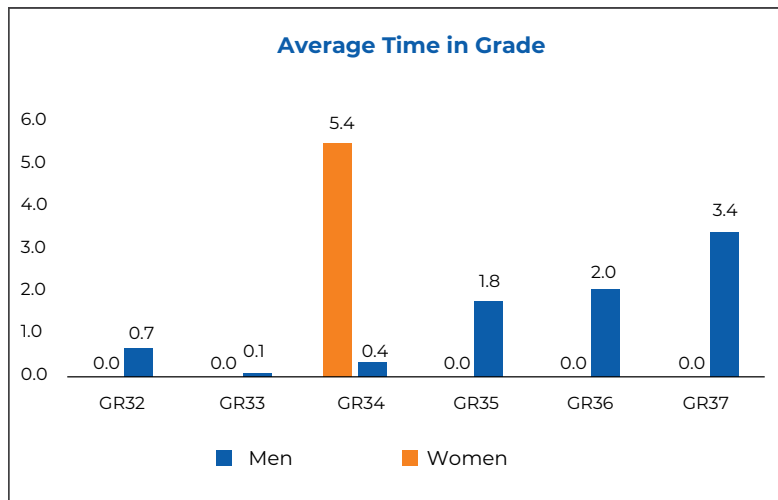
We maintain robust representation of women ie 10 out of 17 employees [59%] in the Corporate, Regulatory Affairs and Legal Functions. It is noteworthy that men typically spend more time in grade in this Function, compared to women.

Finance

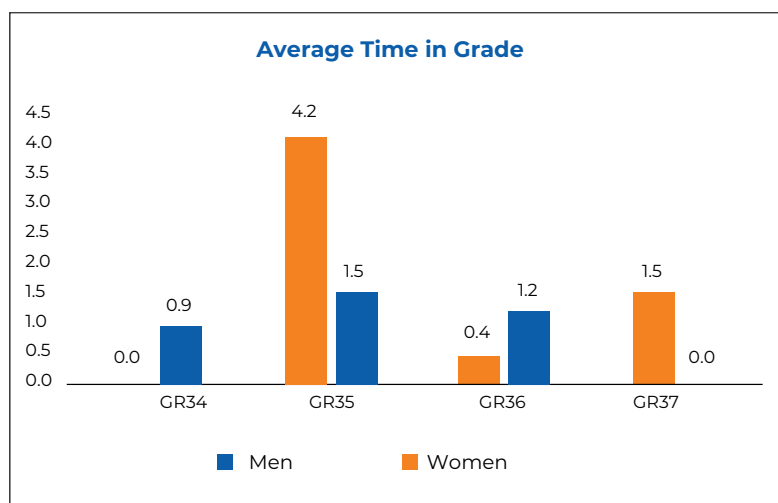


Women currently make up 38% of the employee population in the Finance Function. Despite this, we have maintained a high level of tenure at the G34 level. The pay gap in this Function has decreased, attributable to the integration of the Insights team formally sitting in Marketing, into Finance through recent business structure changes.

Human Resources



Information Digital Technology



HR remains predominantly female. While IDT is predominantly male. We continue to deploy targeted recruiting strategies to enhance diversity within these teams.



Responsible Sales Practices and Communication



BAT Kenya goals

- Ensuring responsible sales practices for all our products

Performance Summary

We can only achieve sustainable, long-term growth as a business through responsible selling of both our tobacco and nicotine products. Our approach to responsible selling is governed by the BAT Group Responsible Marketing Principles (RMP) and local laws.

The RMP emphasise responsible, accurate and adult targeted sales practices and communication. A crucial aspect of responsible marketing is prevention of underage access, supported by guidelines and toolkits including third-party distribution channels.

We are clear that our products are only ever targeted at adults only. That said, we recognise concerns regarding underage consumption, particularly with respect to New Category products. At BAT Kenya, we have a robust programme for the Prevention of Underage Access (PUA), which covers various aspects, including:

- Regular training and education workshops for our retailers and trade partners. This includes 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.

Highlights

- Compliance with applicable regulations related to the sale of our products.
- Sustained action to enhance compliance with our Prevention of Underage Access programme (PUA).

80%

Utilisation of digital business to business solutions between BAT Kenya and our trade partners.

- 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.

iCommit training programme

iCommit is the BAT Group's training programme for responsible selling, covering key measures including Responsible Marketing Principles and Prevention of Underage Access (PUA). In 2023, the BAT Group incorporated iCommit into the onboarding of new employees and the mandatory annual sign off of the Group SoBC process.

Building sustainable trade partnerships and future-fit capabilities

Our trade partners are valued stakeholders who are key to ensuring that we meet consumer needs. As such, we continue to implement various programmes with our trade partners to build their capacity and enhance business competitiveness. This in turn helps them build a sustainable business.



To enhance customer capabilities in 2023, we rolled out an upgrade of our Business-to-Business solutions to a global platform with greater benefits, including reduced route to market costs, enhanced efficiency, data centralisation for ease of access and reporting as well as scalability and competitive advantage.

We also continue to leverage technology to power market model changes, automate several processes including Trade Marketing Representatives

Dynamic Routing Anaplan system and Distributor Invoice Automation in the trade. To improve efficiency and performance, we continue to track our effectiveness of our Business-to-business digital platforms Khonecta and Biz Track. Khonecta is a web-based platform that has enabled paperless communication and sales management for over 10,000 wholesalers, while Biz Track has been deployed to over 300 active wholesalers, enabling them to digitally track their sales, and manage their stock and cash flows.

In 2023 Biz Track recorded – 85% utilisation while Khonecta was at 83%. This has shown increasing utility driving positive order behaviour, increased engagement with B2B content, including reinforcement of Prevention of Underage Age education. We recognize that there is need for enhanced training and reinforcement to drive retailer behaviour toward use of the ecommerce platforms.

Quality assurance

Quality is a top priority at BAT Kenya. Each of our products is quality controlled to ensure that it meets every aspect of its specification. We consistently work to ensure that product quality issues in the manufacturing process are maintained at the lowest levels possible. Reported products defects are handled through a robust corrective action/preventive action (CAPA) process embedded in our quality assurance management system as guided by the BAT Group and ISO 9001:2015 standards



Ethics and Integrity



BAT Kenya ambition

- Aiming for full compliance with the BAT Group's Standards of Business Conduct (SoBC) and governance policies

Performance Summary

Building trust with stakeholders is critical to our business. We promote ethical behaviour and monitor for compliance through robust governance systems, processes and communication.

BAT Kenya's corporate governance framework is guided by both BAT Group policies adopted for local implementation and local BAT principles, procedures and policies as well as local laws, which drive sustained efforts to do the right thing.

Our approach to ethics and integrity is outlined in the BAT Group Standards of Business Conduct (SoBC). Moreover, our Delivery with Integrity programme aims to increase awareness on business ethics and drive a consistent approach to the application of the SoBC across our business.

The Group Supplier Code of Conduct (SCoC) defines the minimum standards expected of our suppliers in several areas, including compliance, human rights and business integrity.

The Group Anti-Illicit Trade (AIT) chapter is an integral part of our SoBC and sets out the controls that must be in place to deter illicit trade in our products. Further, the Group Supply Chain Compliance (SCC) procedures provide guidance for our customers (traders) to comply with our AIT chapter as well. These requirements are incorporated into all contracts with suppliers and customers.

Highlights

- Implemented the annual training and sign-off of the Group SoBC by BAT Kenya Directors, direct employees and contracted staff.
- Implemented a series of mandatory training for all staff in 2023 on Respect in the Workplace and Speak-Up programmes.

Preventing & addressing non-compliance

To enhance business integrity, our stakeholders, including employees, undergo annual governance training on various disciplines. The following were conducted in 2023:

- Underage Access prevention training
- Competition law compliance training
- Standard of Business Conduct training
- Data Privacy training
- Records management training
- Anti-Financial Crime and Contract Management Policy training

As part of monitoring compliance, we recorded six breaches of our SoBC. Investigations were conducted and relevant remedial actions taken. There were no breaches recorded regarding our SCoC.

Anti-Financial Crime (AFC) management

BAT Kenya has an elaborate system to facilitate prevention of bribery and corruption in its operations. This includes:

- Employee training and cascade of changes applicable to third party procedures
- Conducting robust due diligence on potential service providers before onboarding them. The due diligence investigates the source of funds, payment arrangement, sanctions, tax compliance among other factors.
- AFC clauses in contracts with service providers.

With enhanced systems in place there were no reported cases on anticorruption and bribery in the reporting period. We also undertake periodic reviews of our policies and procedures in order to ensure they capture all emerging issues. The following were reviewed in 2023.

- Gift and Entertainment Policy
- Records and Information Management Policy
- SoBC Assurance Procedure

Safeguarding data privacy and protection

At BAT Kenya we have a robust system to protect our data both as an organization and at individual levels. This is enhanced through employee trainings, system access restrictions and ensuring that all our stakeholders are alive to our data protection policy and clauses.

We also monitor to ensure our systems are working well and that everybody is adhering to the policies and procedures in place. Due to the robustness of the system, we did not record any data privacy breaches in the reporting period.

Tax transparency and sustainability

We adhere to a comprehensive tax engagement strategy, prioritizing compliance with all applicable regulations and statutes within Kenya. We underscore the significance of transparency in our interactions with tax authorities.

Moreover, the efficient management of tax affairs, meticulously aligned with our commercial activity, serves as a vital pillar in supporting the company's overall business strategy. We transact at arm's length in line with transfer pricing rules and the Organisation for Economic Co-operation and Development (OECD) principles while engaging in proactive and transparent discussions with tax authorities in cases of differing-tax positions.

In instances where interpretations of tax regulations differ, we engage in proactive and transparent dialogue with relevant tax authorities. While litigation remains a last resort, our primary objective is to establish robust technical tax positions that strengthen our compliance and management procedures.

Excise tax

Historical data indicate sustained increases in excise government revenues between 2010 and 2015, when the excise increases were much more stable and strategic. However, in subsequent years, the trend shows a steady decline in excise revenues due to aggressive tax increases, which include multiple adjustment in a single financial year.

Similarly, in the same period following 2015, we have noted accelerated growth in illicit cigarettes, with the illicit incidence steadily approaching 30%.

In 2023, consumer affordability remained a challenge owing to slow economic growth due to several factors, including unpredictable weather patterns, lower income due to higher levels of taxation and an increase in the cost of basic goods.

However, the Government’s decision to maintain the excise rates through the Finance Act 2023 and repeal Section 10 of the excise duty Act 2015, on inflationary excise increase, are steps in the right direction.

This is in view of the impact that excessive excise increases have had on Kenyan businesses.

Enhanced tax predictability helps to manage the illicit trade problem, spur economic growth, support local manufacturing and attract investment in the country. We note that the Government through the Medium-Term Revenue Strategy 2024/25 to 2026/27 is seeking to enhance predictability in tax administration.

We welcome this move, as a stable fiscal policy is critical for business sustainability and economic growth. We continue to contribute to national dialogue on a more sustainable fiscal policy on excise tax.

Solatum Compensatory Contribution (Solatum)

In adherence to the tobacco control law, BAT Kenya pays solatum to the Tobacco Control Fund. The Fund is aimed at addressing negative impacts of tobacco consumption in Kenya. We have incurred a total of KShs 745 million in the last three years, per breakdown below.

Contribution to Government Revenue (Taxes, duties, and levies)		
	2023	2022
KShs 'Mn		
Excise	11,754	10,943
Value added tax (VAT)	3,884	3,901
	15,638	14,844
Corporation tax	2,454	2,974
Customs	341	279
Solatum	246	265
Tax stamps	169	175
Payroll taxes	549	587
	3,760	4,280
Total	19,398	19,124

Anti-illicit trade

Sitting at approximately 27% (third party research) illicit trade is estimated to cause an annual government revenue loss of over KShs. 7 billion. The increasing shift to illicit cigarettes by consumers in Kenya, and resultant loss of revenue to Government, is mainly attributable to:

- a. Increased profit potential for illicit traders due to impacts of excessive excise increases, coupled with the exorbitant costs of tax stamps (often counterfeited)
- b. High differential in excise rates between EAC Member States, mainly due to historic excessive excise increases in Kenya. Currently, the Excise duty rate on cigarettes in Kenya is almost more than double that of its neighbours, Uganda and Tanzania
- c. Lack of robust cross border enforcement to curb smuggled and tax evaded cigarettes entering Kenya.
- d. Consumer affordability challenges in the Kenyan market due to the increasing cost of living;

We note that previously, the Government continuously increased excise rates with a view of increasing revenues, which has resulted in unintended consequences. However, we strongly believe that plugging the market and arresting runaway illicit trade in tobacco products could recoup the much-needed government revenues, especially by sealing smuggling routes and tightening controls at Kenya's border with Uganda, through which the majority of tax-evaded cigarettes are smuggled into Kenya.

Whilst the Government continues to pursue measures to address illicit trade across various sectors, it is critical that they double their efforts to see meaningful and lasting impact in addressing the current levels of illicit trade in tobacco products.. This includes enhancing multi-stakeholder collaboration with government agencies from neighbouring countries to ensure effective enforcement. That said, enforcement is only curative, and it is important to have balance fiscal policies that facilitate legitimate trade.

As the Government reviews its tax policies, this needs to consider market realities to mitigate loss of government revenues and unnecessarily expose consumers to unregulated, sub-standard products brought in by unscrupulous players.

Further, to curtail local manufacture and distribution of illicit products, we have specifically advocated for increased controls on manufacturing processes and export volumes as well as enhanced supply chain due diligence requirements. We believe that these measures, if implemented and strictly enforced, have the potential to significantly bring down the levels of illicit trade in tobacco products in Kenya.





Sustainability Governance



BAT Kenya goal

- Effective management of sustainability governance

Performance Summary

The evolution of and attention to sustainability and ESG matters globally have increased in recent years. Regulations and expectations have substantially broadened and deepened and embedding robust governance to deliver our sustainability commitments is more important than ever before.

BAT Kenya has aligned to the Group’s sustainability agenda and relevant governance processes and has localised this as applicable. To further strengthen our focus on Sustainability and ESG matters, we have in place a Sustainability Management Committee which helps to further embed sustainability as a strategic priority for the organisation.

The sustainability management committee

BAT Kenya’s Sustainability Management Committee assists the Board and Leadership Team in fulfilling its oversight responsibilities concerning developing and implementing the Company’s sustainability strategy. The Committee reports into BAT Kenya’s Leadership Team and the Board through the Board’s Nominations & Governance Committee. It works with the various Business Functions to effectively deliver its mandate.

Responsibilities and objectives

- Drive alignment with the Group’s ESG agenda, coherence in ESG strategic planning and risk management and apprise the Board

Highlights

- Board oversight of Sustainability and ESG matters.
- Sustained action by the Sustainability Management Committee as part of enhanced efforts to embed sustainability into the business.
- Sustainability reporting: Inaugural sustainability report based on a global reporting standard - (GRI) - published in 2023

- and Leadership Team on the strategy for discharging the Company's ESG responsibilities.
- Monitor implementation of the ESG strategy against agreed actions, targets and metrics and reporting of said progress and actions per the requirements of the BAT Group and external statutory Codes.
 - Review and approve the BAT Kenya's non-financial materiality assessment, and actions relating to the identified risks and opportunities presented by each material issue.
 - Promote robust standards of corporate governance and facilitate robust monitoring and reporting of progress against set targets and the overall ESG strategy.
 - Review and support the development of relevant ESG-related policies and codes of conduct.
 - Identify and monitor external developments that may significantly impact the Company's approach to ESG.
 - Review all stakeholder feedback on ESG matters and engage as appropriate.
 - Ensure adherence to all ESG-related disclosures and regulatory reporting requirements.
 - Make recommendations to the relevant Leadership Team and the Board's Nominations and Governance committee on any of the matters that the Committee considers appropriate.
 - The Committee shall endeavour to ensure that sufficient attention is given to driving the Company's ESG agenda and that the relevant policies and processes in place remain effective.
 - The Committee shall, in consultation with executive management, consider the appointment of third parties to advise on ESG policies and practices and / or audit the Company's ESG policies.

Committee members

1. Head of Corporate & Regulatory Affairs - Committee Chair
2. Business Communication & Sustainability Manager - Secretary
3. Route to Consumer Manager - Member
4. Human Resource Business Partner - Member
5. Head of Leaf - Member
6. Sustainability Manager - Member
7. Regulatory Engagement Manager - Member
8. Scientific Engagement Manager - Member
9. Governance & Compliance Counsel - Member
10. Senior Corporate Finance Manager - Member
11. Engineering Manager – Member



Advocacy and actions

Advocacy refers to BAT Kenya's actions and initiatives that surround engagement with regulators and policy makers. Civic participation is a fundamental aspect of responsible business and policy making, and as industry leaders and experts, we have legitimate contribution to make to policy-related matters.

BAT Kenya participates in the policy process in a transparent and open manner, in line with applicable laws and regulations.

We contribute to national dialogue on building a sustainable regulatory and fiscal environment that will enable business sustainability and collective tobacco control efforts.

Memberships and Affiliations

Organisation

- Kenya Extended Producer Organization (KEPRO)
- Kenya Private Sector Alliance (KEPSA)
- East African Business Council (EABC)
- Kenya Association of Manufacturers (KAM)
- Kenya National Chamber of Commerce & Industry (KNCCI)
- Retail Association of Kenya (RETRAK)
- Pubs Entertainment & Restaurants Association of Kenya (PERAK)
- Kenya Business and Disability Network
- Federation of Kenya Employers

Award, recognition or Certification received in 2023

Issuing institution / framework	Award / recognition / certification
Global Top Employer Institute	<ul style="list-style-type: none"> • Certified Top Employer in Kenya and Africa for six consecutive years as at 2023.
Directorate of Occupational Health and Services	<ul style="list-style-type: none"> • First runners up award in occupational safety standards. • DOSH First Aid Corporate Challenge • Best Field Commander
Kenya Association of Manufacturers – Energy Management Awards 2023	<ul style="list-style-type: none"> • Overall runners up Best in Energy Management • Winner: sustained high performance • Winner: water efficiency • Winners in renewable energy award • 1st runners up in thermal savings
Federation of Kenya Employers awards 2023	<ul style="list-style-type: none"> • Governance award
CIO Africa awards 2023	<ul style="list-style-type: none"> • Gold Award for ESG Solution on Displaying our Digital DNA

Other Information

Further detail on certain information and disclosures in this sustainability report is contained in the 2023 BAT Kenya Annual Report and Financial Statements as well as the 2022 Sustainability Report. These can be accessed on our website: www.batkenya.com



**Diversity is central to
our culture and business
sustainability**



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