

A long-exposure photograph of a highway at night, showing bright, curved light trails from vehicles. The image is monochromatic with a blue tint.

Accelerating **A Better Tomorrow™**

2022 Annual Report & Financial Statements



Our purpose

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

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

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

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

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BRITISH AMERICAN TOBACCO KENYA PLC

2022 ANNUAL REPORT AND FINANCIAL STATEMENTS

This is the Annual Report and Financial Statements (Annual Report) of British American Tobacco Kenya plc (BAT Kenya), comprising the Strategic Report, Business Review, Governance Report and Audited Financial Statements for the year ended 31 December 2022.

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

A soft copy of the Annual Report is emailed to shareholders with valid email addresses. A digital copy can also be accessed on our website www.batkenya.com. References in this publication to 'the Company', 'BAT Kenya', 'the Business' 'we', 'us' and 'our', refer to British American Tobacco Kenya plc.

Cautionary Statement

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

The Strategic Report and certain other sections of the Annual Report contain forward-looking statements that are subject to risk factors associated with, amongst other things, the changing economic and business dynamics affecting the Kenya and export markets. It is believed that the expectations reflected in these statements are reasonable, but they may be affected by a wide range of variables that could cause actual results to differ materially from those currently anticipated.

About Us

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

We are a strong, forward-looking Company with a proven strategy that is delivering sustained value for our shareholders. BAT Kenya's diverse strengths - our strong heritage, our unique brands, our new product innovations and our talented people – are the foundations of our continuing progress. Through our manufacturing hub in Nairobi and Green Leaf Processing plant in Thika, we make cigarettes chosen by a majority of Kenya's adult smokers, with a variety of brands sold in the Kenyan market. We also sell a tobacco free modern oral nicotine product in the Kenyan market.

We are continuously working to build a sustainable business and contribute to Kenya's socio-economic growth in various ways, including through partnerships with over 80,000 trade and business partners. This includes approximately 2,000 tobacco farmers concentrated mainly in the counties of Bungoma, Busia, Migori and Homa Bay, as well as providing direct and indirect employment opportunities for over 1,800 people. Our Health, Environment, Social and Governance (HESG) agenda includes various initiatives in tobacco harm reduction, sustainable agriculture, economic empowerment and environmental conservation through which we have recorded various milestones including planting over 54 million trees since 1978.

BAT Kenya is a leading employer. The company has been certified five times in a row (2018, 2019, 2020, 2021 and 2022) as a Top Employer in Kenya and Africa, by the global Top Employers Institute. On the diversity and inclusion front, we are a member of the Kenya Business and Disabilities Network (KBDN), an organisation that champions workplace inclusivity for Persons with Disabilities.

Read more at www.batkenya.com



BAT
B&W T Co. Ltd. (UK) Ltd.
REFERENCE SAMPLE

Rothmans
100's
Red Label

Product		Lot		Date	
Product	Lot	Date	Lot	Date	Lot
Number	Date	Lot	Date	Lot	Date
ing Company	ing Company	ing Company	ing Company	ing Company	ing Company
Weight	Weight	Weight	Weight	Weight	Weight
and Sugar	and Sugar	and Sugar	and Sugar	and Sugar	and Sugar
at Information	at Information	at Information	at Information	at Information	at Information
ed by CLM, S1	ed by CLM, S1	ed by CLM, S1	ed by CLM, S1	ed by CLM, S1	ed by CLM, S1
No	No	No	No	No	No

Signature: _____
Date: _____

Notice of the 2023 Annual General Meeting

NOTICE IS HEREBY GIVEN that the 71st Annual General Meeting (AGM) of the Company will be held via electronic communication on **Thursday, 15 June 2023 at 9:00 a.m.** for the purpose of considering, and if thought fit, passing the resolutions set out below. Shareholders may ask questions in advance of the meeting in the manner detailed below.

Ordinary Business

1. To receive, consider, and if approved, adopt the Company's audited Financial Statements for the year ended 31 December 2022, together with the reports of the Chairperson, Directors and Auditor thereon.
2. To confirm the interim dividend of KShs. 5/- per ordinary share, paid on 16 September 2022 and to approve a final dividend of KShs. 52/- per ordinary share, to be paid net of Withholding Tax on 15 June 2023, to shareholders on the register at the close of business on 26 May 2023.
3. Directors:
 - a) To note that Carol Musyoka retires by rotation in accordance with Article 102 of the Articles of Association and does not offer herself for re-election as a Director.
 - b) Rita Kavashe and Dr. Martin Oduor-Otieno retire by rotation in accordance with Article 102 of the Articles of Association and being eligible, offer themselves for re-election as Directors.
4. In accordance with the provisions of Section 769 of the Companies Act 2015, Dr. Martin Oduor-Otieno, Samuel Onyango and Marion Gathoga-Mwangi, being members of the Board Audit & Risk Committee, be elected to continue to serve as members of the said Committee.
5. To approve the remuneration of Directors and the Directors Remuneration Report for the year ended 31 December 2022.
6. To appoint Messrs KPMG Kenya as External Auditor of the Company by virtue of Section 721(2) of the Companies Act 2015, and authorise the Directors to fix their remuneration for the year ending 31 December 2023.
7. To consider any other business of which due notice has been given.

Special Business

8. To consider, and if thought fit, pass the following resolution as an Ordinary Resolution, as recommended by the Directors:

For the purposes of regulation G.06 of the Fifth Schedule of the Capital Markets (Securities) (Public Offers, Listing and Disclosures) Regulations 2002, to consider, and if thought fit, pass the following resolution as an Ordinary resolution in regard to the business of the Company and in the interests of the Company:

"That the striking off from the Register of Companies, of East African Tobacco Company (Kenya) Limited, which is a wholly owned subsidiary of the Company, be and is hereby approved".

By Order of the Board

Kathryne Maundu
Company Secretary

22 May 2023

NOTES

1. British American Tobacco Kenya plc has convened and is conducting this virtual Annual General Meeting in line with Article 62 (b) of the Articles of Association.
2. Any shareholder wishing to participate in the meeting should register for the AGM by dialling *483*844# on their mobile telephone line and follow the various prompts regarding registration. A shareholder/proxy will require to have the ID/Passport Number which was used to purchase shares and/or the CDSC Account Number. For assistance, shareholders should call the following helpline number: (+254) 709 170 000/ (+254) 709 170 030 between 9:00 a.m. to 5:00 p.m., Monday to Friday.
3. Registration for the AGM opens on 23 May 2023 and will close on 12 June 2023 at 5:00 p.m. Shareholders will not be able to register after this time.
4. In accordance with Article 174 of the Company's Articles of Association, the following documents may be viewed on the Company's website www.batkenya.com (i) a copy of this Notice and the proxy form; and (ii) the Company's audited Financial Statements for the year ended 31 December 2022.
5. Any shareholder who is entitled to attend and vote at the AGM is entitled to appoint a proxy to attend and vote on their behalf. Such proxy need not be a member of the Company.
6. A proxy form is provided with the Annual Report. The proxy form can also be obtained from the Company's website www.batkenya.com or from Image Registrars Limited, ABSA Towers (formerly Barclays Plaza), 5th Floor, Loita Street, P.O. Box 9287 – 00100, Nairobi, Kenya.

Shareholders who do not propose to be at the AGM are requested to complete and return the proxy form to Image Registrars Limited at the address above or by email to info@image.co.ke / BATshares@image.co.ke or alternatively to the Registered Office of the Company, to arrive no later than 9:00 a.m. on 13 June 2023.
7. A proxy form must be signed by the appointor or their attorney duly authorised in writing. If the appointer is a body corporate, the instrument appointing the proxy shall be given under the Company's common seal or under the hand of an officer or duly authorised attorney of such body corporate.
8. All questions and/or clarifications must reach the Company on or before 12 June 2023 at 5:00 p.m. Shareholders wishing to raise questions may do so by:
 - i. Sending their written questions by email to BATshares@image.co.ke;
 - ii. Physically delivering or posting their written questions, indicating a return address (physical, postal or email), to the registered office of the Company, or via P.O. Box 30000 – 00100, Nairobi, or to Image Registrars offices at the address above.
9. The AGM will be streamed live via a link, which shall be provided to all shareholders who will have successfully registered to participate in the AGM. As a reminder of the AGM, registered shareholders and proxies will receive a short messaging service (SMS/USSD) prompt on their registered mobile numbers, 24 hours prior to the AGM. A second SMS/USSD reminder prompt shall be sent one hour prior to the AGM, and provide a link to the live stream. In registering to attend the AGM, a shareholder opts in to receive these messages.
10. Duly registered shareholders and proxies may follow the proceedings of the AGM using the livestream platform and may access the agenda. Duly registered shareholders and proxies may vote (when prompted by the Chairperson) via the USSD prompts as well as via the VOTE tab on the livestream link.
11. A poll shall be conducted for all the resolutions put forward in the Notice.
12. Results of the AGM shall be published on the Company's website www.batkenya.com within 24 hours of concluding the AGM.
13. The preferred method of paying dividends which are below KShs 140,000/- is through M-PESA. Shareholders who wish to receive their dividend through M-PESA and have not registered for this mode of payment, can opt to receive future dividends via M-PESA when registering for the AGM via the USSD or contact Image Registrars via: Tel: +254709170000 / +254709170030 Email: info@image.co.ke / BATshares@image.co.ke
14. Shareholders are encouraged to continuously monitor the Company's website www.batkenya.com for updates relating to the AGM.

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

The Company's Directors will provide written responses to the questions received, via the return address (physical, postal or email) provided by the shareholder, no later than 12 hours before the start of the AGM. A full list of all questions received, and the answers thereto will be published on the Company's website, no later than 12 hours before the start of the AGM.

Explanatory notes to resolutions to be passed

Agenda Item 1: Report and Financial Statements 2022

Resolution 1:

THAT the Report of the Directors and the Financial Statements for the year ended 31 December 2022, as audited and reported by the Company's Auditors and submitted to this meeting, be and are hereby approved and adopted.

Agenda Item 2: Declaration of Final Dividend

Resolution 2:

THAT the interim dividend of KShs. 5/- per ordinary share paid on 16 September 2022 be and is hereby confirmed, and that a final dividend of KShs. 52/- per ordinary share, to be paid net of Withholding Tax on 15 June 2023 to Shareholders on the Register at the close of business on 26 May 2023, be and is hereby approved.

The Company paid an interim dividend of KShs. 5/- per Ordinary Share on 16 September 2022. The Board recommends a final dividend of KShs. 52/- per Ordinary Share, bringing the total dividend for the year to KShs. 57/- per Ordinary Share. Subject to approval by Shareholders, the final dividend will be paid on 15 June 2023, to Shareholders on the register on 26 May 2023.

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

Resolution 3:

THAT Carol Musyoka does not offer herself for re-election as a Director of the Company.

Carol Musyoka, who is a Non-Executive Director, having served on the Board for over 11 years, hereby steps down as a Director.

THAT Rita Kavashe and Dr. Martin Oduor-Otieno be and are hereby re-elected as Directors of the Company.

In relation to the re-election of the aforementioned Directors, the Nominations & Governance Committee and the Board, have determined that they continue to perform effectively and demonstrate commitment to their role, and that they are respectable individuals in their respective fields and backgrounds. Their balance of knowledge and skills combined with their diversity and business experience, makes a major contribution to the proper functioning of the Board and its Committees. Biographical details of the Directors seeking re-election are set out on pages 62 to 65 of this Annual Report.

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

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

Resolution 4:

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

In accordance with the provisions of Section 769 of the Companies Act 2015, the Directors aforementioned, offer themselves for election to continue to serve as members of the Board Audit & Risk Committee.

Agenda Item 5: Directors Remuneration

Resolution 5:

Resolution 5 is an advisory note to approve the Directors' remuneration as prescribed by the Capital Markets Authority, Code of Corporate Governance Practices for Issuers of Securities to the Public 2015. Following a benchmarking exercise and in line with market adjustment, the Directors remuneration has been increased by 6.2% with effect from 1 April 2023.

The Remuneration Report is set out on page 88 of this Annual Report.

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

Resolution 6:

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

With KPMG having expressed their willingness to continue in office as the Company's External Auditor in accordance with the provisions of Section 721 (2), it is proposed that Messrs KPMG Kenya be re-appointed as the External Auditor of the Company and that the Directors be authorised to fix their remuneration for the year ending 31 December 2023.

Agenda Item 7: Striking off of East African Tobacco Company (Kenya) Limited

Resolution 7:

East African Tobacco Company (Kenya) Limited (the Entity) was formed as a subsidiary of British American Tobacco Kenya Plc (the Company) to acquire and carry on the business of manufacturers of and dealers in tobacco, cigars, cigarettes, snuff, and growers of tobacco and to undertake any business arising out of or in connection with any of such commodities.

The Entity has been dormant since 2011 and has no employees, assets or liabilities. Having ceased all business and operations and having no disposable assets, the parent Company is requested to approve the resolution to strike off the Entity from the Registrar of Companies.

Corporate information

Board of Directors

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

Audit & Risk Committee

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

Nominations & Governance Committee

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

Remuneration Committee

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

* Independent Non-Executive Director

** Non-Executive Director

Company secretary

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

Auditor

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

Legal & Compliance Auditor

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

Principal Advocates

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

Iseme, Kamau and Maema Advocates
Tower A, 5th Floor
5th Ngong Avenue, off Bishops Road
P.O. Box 11866 - 00400
NAIROBI

Principal Bankers

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

Shares Registrar

Image Registrars Limited
5th Floor Absa Towers
(formerly Barclays Plaza)
Loita Street
P.O. Box 9287 – 00100
NAIROBI

Registered Office

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



A BOAT
DOESN'T
GO
FORWARD
If **each**
ONE
is rowing
THEIR
OWN WAY

Swahili Proverb

Chairperson's review



“ It is anticipated that the prevailing macro-economic pressures in the country will roll over into 2023. The duration of the medium term impact on the performance of our business will depend on the nature and timing of the subsequent economic recovery. ”

The year 2022 was pivotal to BAT Kenya's transformation journey. Our commitment to change, while delivering value to stakeholders, can be seen in the progress that has been made on our strategic priorities: *driving value from combustibles, driving a step change in New Categories and simplifying the business*, underpinned by a robust sustainability agenda. I am therefore honoured, on behalf of the Board, Management and Employees, to present the Annual Report for the year ended 31 December 2022.

Dividend

The Business continues to be financially robust and as such, we have maintained our dividend guidance during the reporting period. The Board of Directors recommend a final dividend for 2022, of KShs 52.00 per share, payable net of Withholding Tax on 15 June 2023 to shareholders on the register as at the close of business on 26 May 2023. The total dividend for 2022 will be KShs 57.00 per share (compared to KShs 53.50 per share in 2021).

A challenging operating environment

The Kenyan economy has been adversely impacted by macro-economic headwinds, chiefly occasioned by ripple effects of global geo-political conflict and lingering impacts of the COVID-19 pandemic. This polycrisis has seen disruption in global trade and increased fuel and food prices; with an attendant rise in global inflation, causing Kenya's inflation rate to rise in comparison to previous periods. Subsequently, growth in Kenya's real Growth Domestic Product slowed to 5.5% in 2022 compared to 7.5% in 2021, according to the National Treasury.

Encouragingly, the Government of Kenya projects economic growth to rebound to 6.1% in 2023. It is however worth noting that this is against a global forecast of sharply slowing growth. The World Bank's Global Economic Prospects report of January 2023 indicates a long-lasting slowdown, with global growth declining to 1.7% in 2023 from 3% expected just six months prior.

It is anticipated that the prevailing macro-economic pressures in the country will roll over into 2023. The duration of the medium-term impact on the performance of our business will depend on the nature and timing of the subsequent economic recovery. We however, believe that we are well poised to emerge as a stronger company. In the longer term, our strong foundations, resilient business model and consumer-focused strategy mean that I remain excited about the Company's prospects.

HESG front and center

Our corporate strategy has a clear focus on our Health, Environment, Social and Governance (HESG) agenda which includes addressing climate change and driving excellence in environmental management, delivering a positive social impact and ensuring robust corporate governance. The Board has strategic oversight of our sustainability and HESG priorities, which are embedded across the business. This is implemented through various bold HESG targets, including accelerating our tobacco harm reduction agenda, becoming a carbon neutral business by 2030, achieving employee gender balance and enhancing representation of people with disabilities to 5% by 2025. I am pleased to report that we are tracking at pace on these targets, some of which have already been achieved.

57^{KShs}

Final dividend
per share for 2022

5.5%

Kenya's GDP
growth in 2022

44%

Representation of
women across the
organisation

As we accelerate our transformation journey, we continue to strive for excellence and look for new ways to reduce our resource use, preserve the natural environment, improve the livelihoods of our farmers, business partners, employees and communities, and deliver business results with integrity.

Building a purposeful place to work

The quality of our people is a major factor in ensuring that we remain a resilient business and continue to navigate some of the biggest challenges of our time, including, macro-economic challenges, an unpredictable regulatory environment and escalating levels of illicit trade in tobacco products. As such, we continue to enhance efforts to build a purposeful place to work, including driving diversity and inclusion and building a legacy of leaders.

The Management has developed and implemented a coherent and compelling cultural agenda founded on purpose and responsibility, which has helped inspire and unite our people. Our purpose to build A Better Tomorrow™ encapsulates why we exist and what we aspire to accomplish as an organisation.

A bright future

With strong foundations in place, we now embark on accelerating the transformation of our business to deliver our purpose to build A Better Tomorrow™ by reducing the health impact of our business. We expect 2023 to be a year of further strategic progress as we continue to invest in our products, people and partnerships.

Finally, I take this opportunity to express my sincere appreciation and gratitude to the Board of Directors, Leadership Team, employees, strategic partners, shareholders, and all other stakeholders for their invaluable contribution to our strong performance in 2022.

Rita Kavashe

Board Chairperson

Taarifa ya Mwenyekiti

Mwaka 2022 ulikuwa muhimu katika safari ya mabadiliko ya BAT Kenya. Ahadi yetu ya mabadilisho, huku tukitoa thamani kwa wanahisa wetu, inaonekana katika maendeleo yaliyopatikana kwenye vipaumbele vyetu vya mkakati: kukuza thamani kutoka kwa bidhaa za kuchomeka, kuendesha mabadiliko makubwa katika jamii mpya ya bidhaa na kurahisisha biashara, huku tukisimamiwa na ajenda thabiti ya maendeleo endelevu. Kwa niaba ya Bodi, Uongozi na Wafanyakazi, ni heshima kubwa kwangu kuwaletea Ripoti ya Kila Mwaka, ya mwaka ulioisha tarehe 31 Desemba 2022.

Gawio

Biashara imeendelea kuwa imara kifedha na kutokana na hivyo, tumeweza kudumisha ahadi yetu ya gawio la hisa wakati wa kipindi cha ripoti. Bodi ya Wakurugenzi inapendekeza gawio la mwisho kwa mwaka wa 2022 la KShs 52.00 kwa hisa, litakalolipwa baada ya kukatwa kodi, tarehe 15 Juni 2023 kwa wanahisa waliosajiliwa kufikia saa sita mchana tarehe 26 Mei 2023. Jumla ya gawio kwa mwaka wa 2022 itakuwa KShs 57.00 kwa hisa (kulinganisha na KShs 53.50 kwa hisa mwaka wa 2021).

Mazingira magumu ya uendeshaji wa biashara

Uchumi wa Kenya umepata athari mbaya kutokana na changamoto za kiuchumi, hasa zinazosababishwa na athari za migogoro ya kijiografia ya ulimwengu na athari za janga la COVID-19. Mgogoro huu umesababisha vurugu katika biashara ya kimataifa na kuongezeka kwa bei za mafuta na chakula, kiwango cha mfumuko wa bei duniani, na kusababisha mfumuko wa bei wa Kenya kuongezeka ikilinganishwa na kipindi kilichopita. Kwa hiyo, ukuaji wa pato halisi la taifa la Kenya ulipungua hadi 5.5% mnamo mwaka wa 2022 ikilinganishwa na 7.5% mnamo mwaka wa 2021, kulingana na Hazina ya Kitaifa.

Cha kutia moyo, Serikali ya Kenya inatarajia ukuaji wa uchumi kurudi hadi 6.1% mnamo mwaka wa 2023. Walakini, ni muhimu kutambua kuwa hii ni dhidi ya utabiri wa ukuaji uliopungua sana ulimwenguni. Ripoti ya Mwelekeo wa Uchumi wa Ulimwengu ya Benki ya Dunia ya Januari 2023, inaonyesha kupungua kwa ukuaji kwa muda mrefu, na ukuaji wa ulimwengu kupungua hadi 1.7% mnamo mwaka wa 2023 kutoka asilimia 3.0 iliyotarajiwa miezi sita iliyopita.

Inatarajiwa kuwa shinikizo la kiuchumi la sasa nchini litadumu hadi mwaka wa 2023. Muda wa athari ya kati kwa utendaji wa biashara yetu utategemea asili na wakati wa kufufuka kwa uchumi unaofuata. Hata hivyo, tunaamini kuwa tutaibuka kama kampuni yenye nguvu zaidi. Kwa muda mrefu, misingi yetu imara, mfano wa biashara thabiti, na mikakati inayolenga watumiaji wa bidhaa zetu, unamaanisha kuwa bado nina imani kwa matarajio ya kampuni.

57^{KShs}

Gawio la mwisho kwa kila hisa kwa mwaka 2022

5.5%

Ukuaji wa Pato la Taifa la Kenya mwaka 2022

44%

Uwakilishi wawanawake katika kampuni

HESG mbele na katikati

Mikakati yetu ya kampuni inazingatia wazi ajenda yetu ya afya, mazingira, jamii na utawala (HESG) ambayo ni pamoja na kukabiliana na mabadiliko ya hali ya hewa na usimamizi bora wa mazingira, kutoa athari chanya kwa jamii na kuhakikisha utawala bora wa kampuni. Bodi ina usimamizi kimkakati wa vipaumbele vyetu vya kudumu na HESG, ambavyo vimejumuishwa katika biashara. Hii inatekelezwa kupitia malengo mbalimbali ya HESG, ikiwa ni pamoja na kuongeza kasi ya ajenda yetu ya kupunguza madhara ya tumbaku, kuwa biashara yenye usawa wa kaboni mwaka 2030, kufikia uwiano wa jinsia kwa wafanyakazi na kuongeza uwakilishi wa watu wenye ulemavu hadi 5% mwaka 2025. Natabasamu kuripoti kwamba tunafuatilia kwa kasi malengo haya, baadhi yao yakiwa yamefikwa.

Tunaendelea kuharakisha safari yetu ya mabadiliko, kutafuta ubora na njia mpya za kupunguza matumizi yetu ya rasilimali, kuhifadhi mazingira asilia, kuboresha maisha ya wakulima wetu, washirika wa biashara, wafanyakazi na jamii, na kutoa matokeo ya biashara kwa uwazi na uadilifu.

Kujenga mahali pazuri pa kufanya kazi

Ubora wa watu wetu ni sababu kubwa katika kuhakikisha tunabaki kuwa biashara imara na kuendelea kupambana na changamoto kubwa za wakati wetu, ikiwa ni pamoja na changamoto za kiuchumi, mazingira yenye utabiri usio na uhakika na kuongezeka kwa viwango vya biashara haramu ya bidhaa za tumbaku. Kwa hiyo, tunaendelea kuimarisha juhudi za kujenga mahali pazuri pa kufanya kazi, ikiwa ni pamoja na kuongeza usawa na kujenga urithi wa viongozi.

Timu ya uongozi imeendeleza na kutekeleza ajenda ya kitamaduni iliyo wazi na yenye nguvu, ambayo imechangia kuhamasisha na kuunganisha watu wetu. Lengo letu la kujenga kesho bora (A Better Tomorrow™) linaelezea sababu ya kuwepo kwetu na kile tunachotamani kufanikisha kama shirika.

Majira mazuri yajayo

Tukiwa na misingi imara, tunajiandaa kuharakisha mabadiliko ya biashara yetu ili kutimiza lengo letu la kujenga kesho bora (A Better Tomorrow™) kwa kupunguza athari ya afya inayosababishwa na biashara yetu. Tunatumaini kuwa mwaka wa 2023 utakuwa wa maendeleo zaidi ya kimkakati wakati tunawekeza katika bidhaa zetu, watu wetu na ushirikiano wetu.

Mwisho, nachukua fursa hii kutoa shukrani zangu za dhati kwa Bodi ya Wakurugenzi, Timu ya Uongozi, wafanyakazi, washirika wa kimkakati, wanahisa, na wanahisa washikadau wengine wote kwa mchango wao mchango wao wa thamani ya juu katika utendaji wetu imara katika mwaka wa 2022.

Rita Kavashe

Mwenyekiti wa Bodi

TRANSFORMATION THROUGH NEXT GENERATION NICOTINE PRODUCTS



Warning: This product contains nicotine and is addictive.

A man with short dark hair and glasses, wearing a dark grey suit, a white shirt, and a red and blue striped tie, stands in front of a glass wall. He is smiling slightly and has his hands in his pockets. The background shows a modern office interior with glass partitions and some plants.

Managing Director's overview



“ Our purpose to build A Better Tomorrow™ by reducing the health impact of our business means that we are committed to our business transformation. And as consumer preferences and technology rapidly evolve, the availability of scientifically substantiated less risky* products is crucial to effective tobacco harm reduction. ”

The past year has been exciting and challenging for BAT Kenya. On a positive note, our performance and business resilience were propelled by the re-introduction of BAT's tobacco-free oral nicotine pouch – Velo. Notwithstanding, we experienced various headwinds, primarily driven by an unpredictable and excessive excise tax regime and regulatory framework for New Category products.

Despite these evolving challenges, BAT Kenya holds a strong position, which is a result of sustained collaboration with, and the commitment of, all our stakeholders.

An unsustainable fiscal and illicit trade environment

Steep and frequent increases in excise duty rates over the last few years have had adverse impacts on the consumer affordability of legitimate products. This has triggered an increase in the rate of illicit trade in tax-evaded cigarettes currently estimated at 26% (third party research). Consequently, shrinkage of the legitimate market continues to impact industry and deny government an estimated KShs 6.5 billion in annual taxes. This has been further exacerbated by the resultant differentials in excise rates between Kenya and its neighbouring EAC partner states, with the excise payable in Kenya being double that of Uganda and almost triple that of Tanzania. To address this dire situation, we continue to call upon Government to enhance local deployment of resources and enforcement, as well as collaboration with neighboring governments against the illicit trade in tobacco products.

Accelerating business transformation

Our purpose to build A Better Tomorrow™ by reducing the health impact of our business drives our commitment to our business transformation. And as consumer preferences and technology rapidly evolve, the availability of scientifically substantiated less risky* products is crucial to effective tobacco harm reduction.

From the start of our portfolio transformation journey, we have always been clear that to meet differing needs in the multiple marketplaces we serve, a portfolio of solutions is required. I am delighted, therefore, that adoption of New Category products in our market is showing good promise, including our tobacco-free oral nicotine pouch – Velo, which seeks to provide an innovative alternative for adult smokers in Kenya.

While we accelerate the growth of our New Category portfolio, we continue to focus on driving value from our combustible products, which support the investment needed to transform our business.

Delivering a positive impact

We take seriously our role to transform ourselves and demonstrate thought leadership. We have a very clear purpose to reduce the harm footprint of our business, and we are uniquely positioned in that regard as the only truly global company in our industry with local history and heritage. As a result, we are leveraging on a world-class innovation pipeline for our products, as well as expertise for our other ESG priorities: *driving excellence in environmental management, delivering a positive social impact, and driving robust corporate governance across the business.*

26%

Incidence of illicit trade in cigarettes

21%

Cumulative excise tax increase on tobacco products over a 12 month period exacerbating pressure on consumers

6.5 Billion

Estimated tax revenues lost for the government to the tobacco illicit trade

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

We are proud of our sustainability track record which has been continuously recognised externally. This includes being the first company in Kenya to be certified as energy compliant by the Energy and Petroleum Regulatory Authority in 2015, and currently being only one of eight companies in Kenya to have this certification, which was renewed in 2022 for another three year period. Through our afforestation programme Kijani, we have planted a tree for every Kenyan, with a record of over 54 million surviving trees planted with various stakeholders since 1978 and an annual target to plant at least two million.

In 2022, we continued to enhance investment in renewable energy (solar) and plans are in gear towards a self-consumption captive solar installation with a total capacity of 1,400kWp. We also received recognition at the 2022 Energy Management Awards organised by the Kenya Association of Manufacturers, as well as being certified as a Top Employer for the 5th time in a row by the global Top Employer's Institute and being named Africa's Gender Mainstreaming champion at the 2022 Accenture Gender Mainstreaming Awards.

Commitment to the future

The Board and Management has maintained close oversight of the Company's performance and as a result, BAT Kenya has made considerable progress strategically and financially during 2022.

Looking ahead, we work to further accelerate our transformation, including through enhanced simplification of the business, to build a future-fit enterprise. These efforts go beyond digital transformation, which is a key enabler of our empowered and connected organisation, into removing complexities in the organisational structure, rigorously managing our cost base and embedding an inclusive internal culture.

As I reflect on 2023 going forward, I am thankful for all the efforts of, and collaboration between the Board, Management, Employees and other stakeholders and look forward to building a stronger business for the future.

Crispin Achola

Managing Director

Tathmini ya Mkurugenzi Mkuu

Mwaka uliopita ulikuwa wenye kulisimua na changamoto kwa BAT Kenya. Kwa mtazamo chanya, utendakazi wetu na uthabiti wa biashara ulichochea kwa kuwezesha mafanikio katika mageuzi makubwa kwa bidhaa zetu mpya, kupitia kuongeza Velo, ambayo ni bidhaa isiyo na tumbaku. Hata hivyo, tumekuwa tukikabiliana na changamoto mbalimbali zinazosababishwa kwa kiasi kikubwa na sera za ushuru zisizotabirika na za kiwango kikubwa sana kwa bidhaa za jamii mpya.

Licha ya changamoto hizi, BAT Kenya inashikilia nafasi imara ambayo ni matokeo ya ushirikiano endelevu na dhamira ya wadau wetu wote.

Mazingira hafifu ya kifedha na biashara haramu

Ongezeko kubwa na la haraka la kodi ya ushuru katika miaka michache iliyopita, limesababisha athari mbaya kwa uwezo wa wananchi kununua bidhaa halali, na kuongezeka kwa biashara haramu ya sigara inayokwepa kodi, ambayo kwa sasa imekadiriwa kufikia asilimia 26 (utafiti wa nje). Kufuatia hali hii, upungufu katika soko halali umeendelea kuathiri sekta na kuzuia serikali kupata mapato takriban KShs 6.5 bilioni kwa mwaka. Hii imezidishwa zaidi na tofauti katika kiwango cha ushuru kati ya Kenya na nchi zingine za Jumuiya ya Afrika Mashariki, ambapo ushuru unaolipwa Kenya ni maradufu ya ule wa Uganda na mara tatu ya ule wa Tanzania. Ili kukabiliana na hali hii, tunaendelea kuishinikiza Serikali kuimarisha utumiaji wa rasilimali na utekelezaji wa sheria, pamoja na ushirikiano na serikali za nchi jirani kupambana na biashara haramu ya bidhaa za tumbaku.

Kuongeza kasi ya mageuzi ya biashara

Lengo letu la kujenga kesho bora (A Better Tomorrow™) kwa kupunguza athari za afya zinazotokana na biashara yetu linasukuma ahadi yetu kwa mageuzi ya biashara yetu. Na wakati mapendekezo ya watumiaji na teknolojia yanavyobadilika kwa kasi, upatikanaji wa bidhaa zisizo na hatari zinazothibitishwa kisayansi ni muhimu kwa kupunguza hatari za tumbaku.

Tangu mwanzo wa safari yetu ya kubadilisha jamii ya bidhaa zetu, tumekuwa wazi daima kwamba, kwa kukidhi mahitaji tofauti katika masoko mengi tunayohudumia, jamii ya bidhaa zinazo punguza madhara ya tumbaku, inahitajika. Nimefurahi, kwa hivyo, kuwa ushirikishwaji wa bidhaa za Jamii Mpya katika soko letu unaonyesha matumaini mazuri, ikiwa ni pamoja na mkoba wetu wa nikotini usio na tumbaku - Velo, ambao unalenga kutoa mbadala inayopunguza hatari* kwa wavutaji sigara wazima nchini Kenya.

Wakati tunaharakisha ukuaji wa jamii ya bidhaa zetu mpya, tunasisitiza katika kuzingatia kuleta thamani kwa bidhaa zetu za sigara ambazo zinasaidia kuwekeza kwenye mageuzi ya biashara yetu.

26%

Kiwango cha biashara haramu ya sigara

21%

Ongezeko la kodi ya ushuru wa bidhaa za tumbaku kwa kipindi cha miezi 12 mfululizo linaongeza shinikizo kwa watumiaji

6.5 Bilioni

Mapato ya kodi yanayokadiriwa kupotea kwa serikali kutokana na biashara haramu ya tumbaku

Kuleta athari chanya

Tunachukulia kwa uzito jukumu letu la kubadilisha biashara yetu na kuonyesha uongozi wa mawazo. Tunayo dhumuni wazi kabisa la kupunguza athari ya bidhaa zetu, na tuko katika nafasi ya pekee katika suala hilo kama kampuni ya kimataifa katika tasnia yetu na historia na urithi wa kinyumbani. Hivyo basi, tunatumia bomba letu la uvumbuzi wa kiwango cha dunia kwa bidhaa zetu, pamoja na ujuzi kwa vipaumbele vyetu vingine vya ESG: *kudumisha ubora katika usimamizi wa mazingira, kuleta athari chanya za kijamii, na kudumisha usimamizi imara wa ushirika katika biashara yetu.*

Tuna fahari ya rekodi yetu ya biashara endelevu ambayo imetambuliwa kwingineko. Hii ni pamoja na kuwa kampuni ya kwanza nchini Kenya kupata kibali cha kuwa na nishati inayokidhi viwango kutoka kwa Energy and Petroleum Regulatory Authority mnamo mwaka wa 2015, na kuwa moja tu kati ya kampuni nane nchini Kenya kuwa na kibali hicho, ambacho tulijinyakulia tena mnamo 2022 kwa kipindi kingine cha miaka tatu. Kupitia mipango yetu ya upandaji miti ya Kijani, tumepanda mti kwa kila Mkenya, na rekodi ya zaidi ya miti milioni 54 tuliyopanda pamoja na washikadau mbalimbali tangu 1978 na lengo la kila mwaka ni kupanda angalau miti milioni mbili. Mwaka wa 2022, tuliongeza uwekezaji katika nishati mbadala (jua) na mipango inaendelea kwa kuwekeza katika ufungaji wa jua unao uwezo wa jumla wa 1,400kWp kwa matumizi ya ndani. Tulipokea pia tunzo katika Tuzo za Usimamizi wa Nishati za mwaka wa 2022 zilizoratibiwa na Kenya Association of Manufacturers, pamoja na kuwa na kibali kama Mwajiri Bora kwa mara ya tano mfululizo kutoka kwa Top Employer's Institute, na kuwa mabingwa wa kueneza usawa wa kijinsia barani Afrika katika Accenture Gender Mainstreaming Awards za mwaka wa 2022.

Ahadi ya siku zijazo

Bodi na wasimamizi waongozi wameendelea kufuatilia kwa karibu utendaji wa Kampuni na kwa hivyo, BAT Kenya imefanya maendeleo makubwa kimkakati na kifedha wakati wa 2022.

Tukiendelea mbele, tunajitahidi kuongeza kasi mabadilisho yetu, ikiwa ni pamoja na kuboresha utaratibu wa biashara ili kujenga kampuni bora ya siku zijazo. Juhudi hizi zinapita njia ya mabadilisho ya kidijitali ambayo ni nguzo kuu ya kujenga shirika lililounganishwa na kuimarishwa, kwa kuondoa utata katika muundo wa kikundi, kusimamia kwa uangalifu msingi wetu wa gharama na kuimarisha utamaduni wetu wa ndani.

Nikitafakari kuhusu mwaka wa 2023 na siku zijazo, natoa shukrani zangu kwa juhudi za pamoja za Bodi, wasimamizi waongozi, wafanyakazi na washikadau wengine na ninatazamia kujenga biashara yenye nguvu zaidi kwa ajili ya siku zijazo.

Crispin Achola

Mkurugenzi Mkuu



Finance Director's review



“ We remain committed to our purpose, to build A Better Tomorrow™ by reducing the health impact of our business. Our re-entry into the tobacco-free oral nicotine category in 2022 will support commercialisation of the KShs 2.5 billion investment in a modern oral nicotine pouch factory, and further support the Government’s manufacturing and exports agenda. ”

Sustainable value generation in a turbulent macro-economic environment

Throughout 2022, the business demonstrated resilience in an increasingly complex external environment characterised by high inflation, high interest rates and adverse weather conditions. These complexities were exacerbated by steep and frequent excise tax increases (totaling 21.3% cumulatively over a 12-month period), which put further pressure on consumer purchasing power, consequently triggering downtrading to lower priced brands and prevalence of illicit trade in tax evaded cigarettes.

Despite the challenges, we remained focused on driving sustainable value generation from the combustibles business, re-entry into the tobacco-free oral nicotine category and simplifying the business.

Financial highlights

- » Net revenue increased by 8% to KShs 27.4 billion, primarily driven by growth in export sales volumes following increased demand in some of our key markets, as well as pricing benefit on domestic and export sales.
- » Total cost of operations increased by 9% to KShs 17.5 billion, attributable to higher input costs partly offset by productivity savings.
- » Profit before tax was up 7% to KShs 9.9 billion driven by increased revenue offset by higher cost of operations.
- » Cash generated from operations increased to KShs 9.2 billion, driven by improved profitability and gains from working capital management.
- » Taxes in the form of Excise Duty, VAT, Pay As You Earn (PAYE) and Corporation Tax increased by 3% to KShs 18.5 billion reflecting higher excise duty rates and profitability

Growth in shareholder return

We have a proven track record of consistently delivering against our financial objectives and delivering sustainable shareholder value year on year.

Earnings per share was up 6% at KShs 68.92 (2021: KShs 64.83) reflecting higher profitability. Dividend per share for 2022 will be KShs 57.00, an increase of 7% (2021: KShs 53.5), in line with our commitment to long-term value for our shareholders.

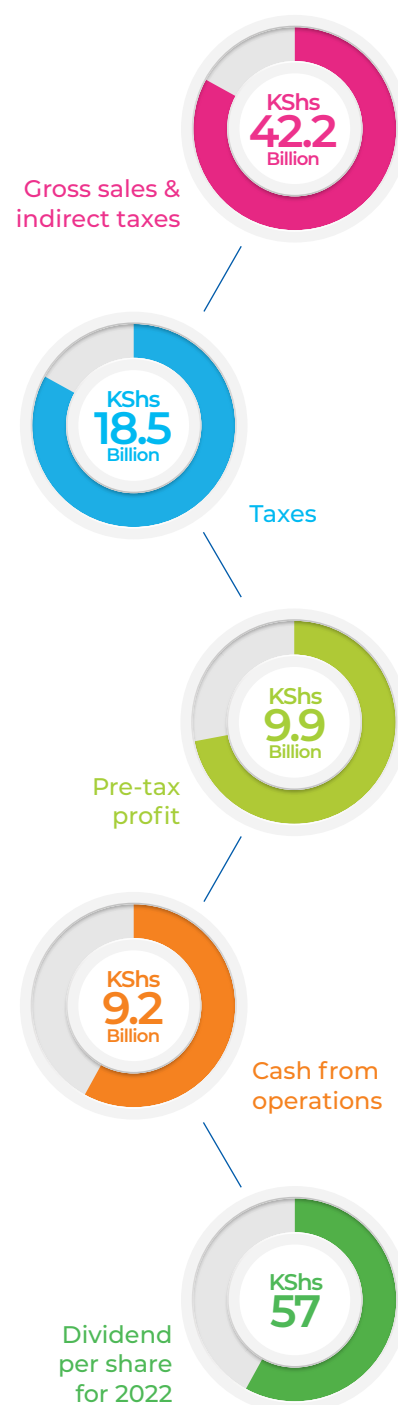
Looking forward

We are confident in our ability to navigate near term macro-economic uncertainties and challenges.

We remain committed to our corporate purpose to build A Better Tomorrow™, by reducing the health impact of our business. Our re-entry into the tobacco-free oral nicotine category in 2022 will support commercialisation of the KShs 2.5 billion investment in a modern oral nicotine pouch factory, and further support the Government's manufacturing and exports agenda.

We will also continue to invest in our people, sustain a consumer centric brand portfolio, enhance trade partnerships, drive cost efficiencies in our manufacturing hub and simplify the business through digital transformation.

Philemon Kipkemoi
Finance Director







Our purpose and strategy >>

As a leading consumer goods business, our purpose is to build A Better Tomorrow™ for our consumers, society, employees and shareholders.

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



Our Mission

Stimulating the senses of new adult generations

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

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

Must wins

High growth segments

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

Priority markets

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

How we win

Inspirational foresights

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

Remarkable innovation

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

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

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

~ Crispin Achola, Managing Director



Powerful brands

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

Connected

Cultivating an ecosystem that connects us with consumers and stakeholders, especially through the power of digital technology, ensures that we can build the brands of the future, deliver access to markets and foster innovation that meets consumer needs.

People and partnerships

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

OUR PURPOSE

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

Consumers

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

Society

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

Employees

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

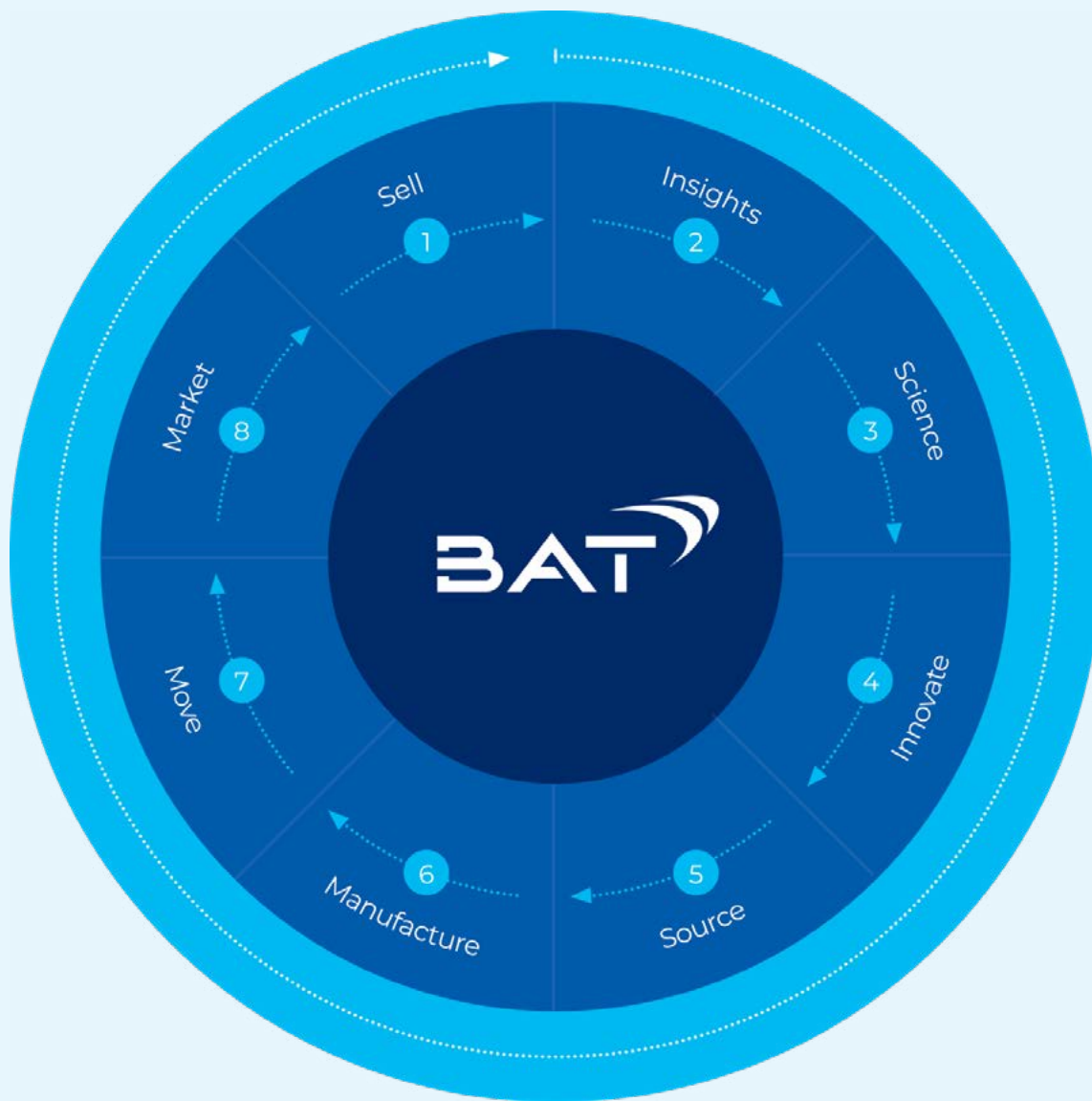
Shareholders

By delivering sustainable and superior returns.

Our business model >>

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

Our business model begins and ends with the consumer. Eight key enablers support us in turning powerful insights into products that meet consumer needs, while engagement with stakeholders helps them benefit from our sustainable growth.



A Better Tomorrow™ for:



Consumers



Shareholders
and investors



Society



Employees

Key enablers >>



► Insights

Seeing over the horizon

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

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



► Science

Accelerating tobacco harm reduction

World-class science is needed to substantiate the quality, safety and reduced-risk impact of BAT's New Category products.

This is crucial for building consumer trust and encouraging adult smokers to completely switch to less risky* alternatives.

The BAT Group has an extensive scientific research programme in a broad spectrum of scientific fields, including molecular biology, toxicology and chemistry. BAT is transparent about its science and publishes details of its research programmes on the dedicated Group website: www.batscience.com, and the results of our studies in peer reviewed journals.



► Innovate

Staying ahead of the curve

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

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



► Source

Sourcing materials responsibly

Our tobacco is sourced directly from Kenyan contracted tobacco farmers. In 2022, we contracted approximately 2,083 farmers, mainly in Bungoma, Busia, Migori and Homabay. We provide business and employment opportunities for over 80,000 business partners in our value chain.



► Manufacture

Utilising our world class manufacturing capabilities

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



► Move

Moving our products seamlessly

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



► Market

Marketing our products responsibly

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

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



► Sell

Offering consumer choice

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

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

Our sustainability agenda >>

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

Our sustainability agenda is integral to our evolved Group strategy, and reflects our commitment to reducing the health impact of our business and excellence across our other ESG priorities. Our approach is driven by extensive 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 ensures that we keep pace with emerging topics and stakeholder expectations. Outlined here are the priority areas that form the core of our Sustainability Agenda.

H

Reducing the health impact of our business

E

Excellence in environmental management

Climate change
Circular economy
Biodiversity & Ecosystems
Water

S

Delivering a positive social impact

Human rights
Farmer livelihoods
People, Diversity & culture

G

Robust corporate governance

Responsible marketing & transparent communication
Ethics & Integrity
Sustainability governance

Created shared value for



Consumers



Society



Employees



Shareholders

Our Ethos



Our purpose is to build A Better Tomorrow™ by reducing the health impact of our business through offering greater choice of innovative and reduced risk* products for our consumers.

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



We are BOLD

Dream big - with innovative ideas

Make tough decisions quickly and proudly stand accountable for them

Resilient and fearless to compete



We are FAST

Speed matters. Set clear direction and move fast

Keep it simple. Focus on outcomes

Learn quickly and share learnings



We are EMPOWERED

Set the context for our teams and trust their expertise

Challenge each other. Once in agreement we commit collectively

Collaborate and hold each other accountable to deliver



We are DIVERSE

Value different perspectives

Build on each others' ideas, knowledge and experiences

Challenge ourselves to be open-minded, recognising unconscious bias



We are RESPONSIBLE

Take action to reduce the health impact of our business

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

Act with integrity, never compromising our standards and ethics

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





Business Review

A Better Tomorrow™ for consumers



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

Portfolio transformation through a step change in New Categories

We continue to transform into a multi-category business, guided by our quest to build a product portfolio that is dedicated to stimulating the senses of adult consumers. This is underpinned by a consistent pursuit to deliver our purpose to reduce the health impact of our business by offering innovative new products backed by science, that provide adult smokers with less risky alternatives*. Our relaunch of BAT's modern oral nicotine product – Velo – in Kenya in July 2022 is a clear indication of this commitment. The roll-out of Velo into Kenya was underpinned by a focused, targeted execution plan anchored on responsible marketing practices to establish clear category differentiation and a focus on the prevention of underage access.

Building value in combustibles

For our cigarette portfolio, our focus was on localisation and building equity following successful completion of pack migrations of our local hero brands to Global Drive & Strategic Brands (GDSB). Investment in Rothmans, for example, is in line with our strategic objective to establish this as the Value for Money and Innovation reference brand, helping to shape a future-fit portfolio.

Insights and foresights

Insights and foresights are important to help us anticipate and shape the future by deploying remarkable products. In line with our purpose to build A Better Tomorrow™, we use data analytics and automation to design robust customer experiences and drive superior performance by our teams.

Responsible marketing

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

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

- » Regular training and education workshops for our retailers and trade partners on compliance with the applicable regulations and guidelines on the sale of our products.
- » Retailer spot checks carried out by BAT trade representatives to ensure all points of sale display the appropriate health warnings and minimum legal age information notices.
- » Contractual requirements and undertaking by traders to adhere to applicable regulations.



Building sustainable trade partnerships and future-fit capabilities

As we accelerate our transformation journey to build A Better Tomorrow™ for our stakeholders, we continue to partner with our trade partners to build capabilities in various aspects, including engagement, business competitiveness and business financing support.

- » **Engagement:** in 2022, we progressed with our trade digitisation programme through which we launched Khonecta in 2021, a trade platform covering order management and engagement.
- » **Businesses competitiveness:** we rolled out BizTrack, an inhouse solution to enhance business management capabilities for our traders, and use of the insights generated to continuously refine our market coverage activities.
- » **Business financing:** we partnered with several fintech companies to provide our trade partners with seamless cashless and credit solutions, to ensure suitable working capital levels.

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

A Better Tomorrow™ for society & the environment

Our socio-economic contribution

We are committed to building A Better Tomorrow™ through the transformation of our business and the tobacco industry as a whole. While combustible products will remain at the core of our business for some years to come, our transformation journey towards tobacco harm reduction continues with the relaunch of our tobacco-free modern oral nicotine pouch – Velo – in the Kenyan market in July 2022.

Being first in the market with reduced-risk* alternatives for smokers has helped augment the leading role BAT plays in meeting consumer needs in tobacco and beyond.

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

Our value chain supports the livelihoods of more than 80,000 Kenyans, in tobacco farming and processing, manufacturing and tobacco product distribution, oral nicotine product distribution and sale, urban and rural retailing, wholesale trade, transport, logistics and domestic procurement amongst others.



We remain a leading exporter in Kenya, earning significant foreign exchange for the country, at approximately USD 100 million annually. Our year on year investments and tax remittances have contributed to the country's economic growth. Over the past six years, we have paid over KShs 107 billion to the Exchequer in the form of various taxes, including corporation tax, excise, VAT and PAYE. Our track record has received recognition from various regulatory and industry bodies.

The roll out of our KShs 2.5 billion investment in a new world class factory for the manufacture of tobacco-free modern oral nicotine pouches – the first of its kind in Africa – remains a strong testament to our commitment to Kenya and support for the government's efforts to drive manufacturing growth. This factory has the potential to contribute significantly to the Kenyan economy, further supporting up to 80,000 Kenyans and local businesses in our extended value chain. Subsequently, this is expected to deliver enhanced value for approximately 4,000 local shareholders. To ensure viability of this investment, a sustainable fiscal and regulatory environment for New Category products in Kenya and across the continent is key.

We continue to contribute to dialogue on creating a sustainable, evidence and science based regulatory framework for new category products in Kenya.

On the governance front, our efforts to drive robust corporate governance across the business have received recognition. In 2022, we were awarded at the Financial Reporting Awards in the following categories: Winner in the Governance category and Runners Up in the Listed Companies, Industrial Commercial & Services and Environment & Social Reporting categories.

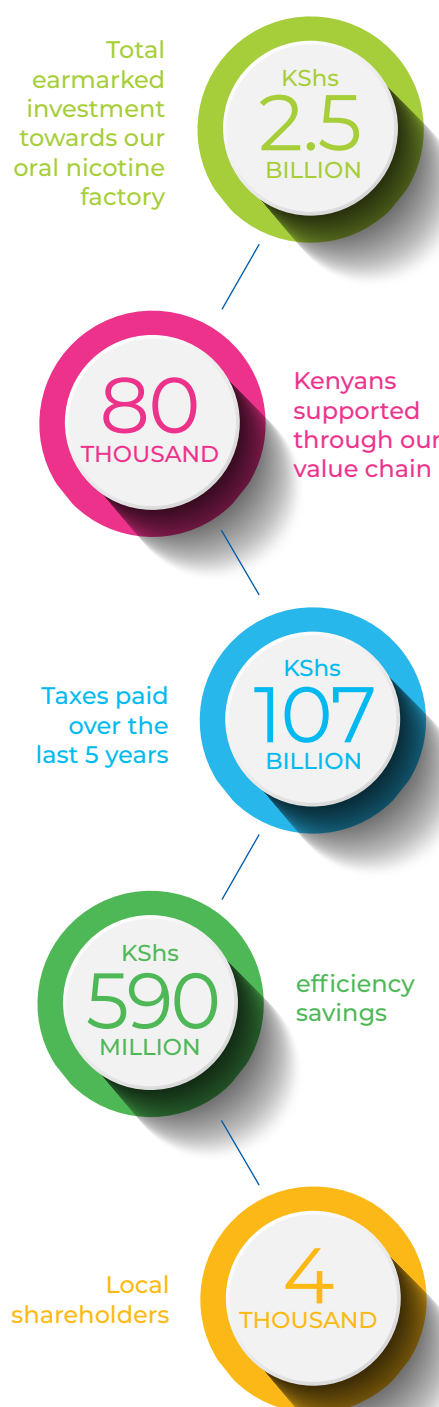
World class manufacturing

Our cigarette manufacturing factory in Nairobi's Industrial Area continues to prove its strength and potential, after being named in 2021 and 2022, as the best performing factory in the BAT Group's Americas and Sub-Saharan Africa region. During the year under review, we continued to drive improvement across all key performance indicators: Productivity, Quality and Suitability.

Our Integrated Work Systems (IWS) methodology continues to drive improvement in manufacturing performance. With its key objective being to drive 100% People Involvement and a Zero Losses Mentality, IWS has supported the factory team in their delivery of breakthrough results.

Through the IWS-Loss Analysis, we delivered approximately KShs 590 million in efficiency savings, helping to mitigate the impact of inflation on innovation. In 2022, we surpassed the previous year's monthly performance by delivering an Overall Equipment Effectiveness (OEE) of 71.1% and Mean Time Between Failure (MTBF) of 16.5 minutes.

During the year, we also rolled out an Operational and Technical training program, an indication of our commitment to develop employee capabilities in eliminating losses in our processes and machinery.



Excellence in environmental management

Our business relies on natural resources, and we also have a responsibility to wider society to minimise our impacts on the environment. That's why we are driving environmental excellence for a greener tomorrow.

As part of our iconic afforestation programme *Kijani*, we target to plant at least 2 million trees annually. We have met this target over the years, however in 2022, the impact of drought and harsh weather conditions saw us plant approximately 1.3 million trees. To meet our target, the remaining 700,000 seedlings will be rolled over into 2023 for planting during the long rain season to ensure a higher survival rate for the trees.

Our work with local communities on the afforestation front and efforts to protect and conserve water-shed areas saw us donate 4000 seedlings to the Thika Water and Sewerage Company (THIWASCO) and Kiambu county in which our green leaf threshing plant is located. A further 2,000 trees were donated to the Ol Donyo Sabuk National Park in support of their environmental conservation efforts. To mark the World Environment Day, our employees joined the Nairobi Water and Sewerage Company to plant 2,000 trees around Ndakaini Dam, with various seedling donations being made to local stakeholders including 5,000 trees planted at the Dedan Kimathi University of Science and Technology during a ceremony officiated by the National Environment Management Authority (NEMA).

We are also working alongside the Kenya Forest Service in Migori County to plant 100,000 trees annually for the next five years in five selected sites. This way, we can create real impact in the environment conservation space.

On the biodiversity front, we continued to provide our contracted farmers with bagasse briquettes as an alternative fuel for tobacco curing. In 2022, we issued 321 tonnes to farmers as part of efforts to significantly enhance the use of sustainable fuel, today and in the future.

2022

REPORTING FINANCIAL AWARDS



Winner

Governance category



Runners Up

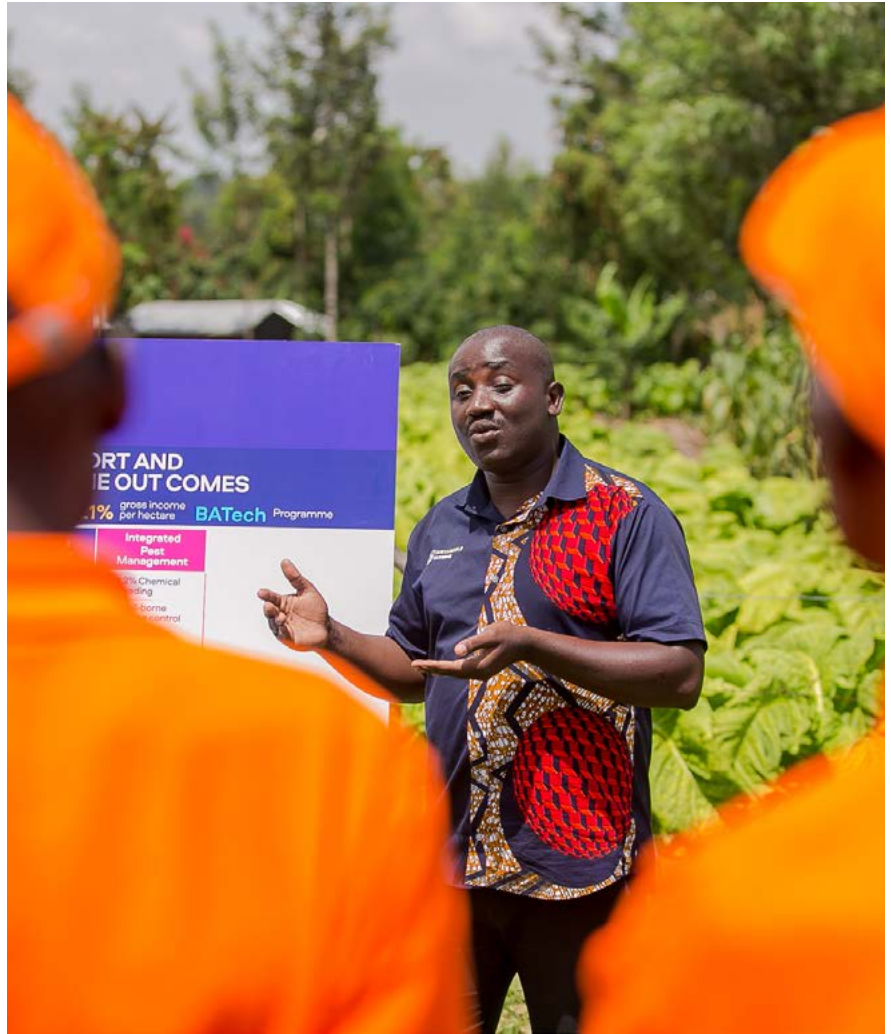
Listed Companies, Industrial
Commercial & Services

Environment & Social
Reporting

EPRA

Energy compliance
certificate renewal
2022-2025





Sustainable agriculture & farmer livelihoods

Tobacco leaf is the most essential part of our tobacco products, thus the farmers who grow it are absolutely crucial to the success of our business. Our contracted tobacco farmers are valued business partners, and we want them to be self-sufficient and prosperous.

In 2022, we partnered with approximately 2,083 farmers mainly in Migori, Bungoma, Busia and Meru counties. Our long and proud history of building sustainable relationships with these farmers has yielded mutual benefit. Despite the ever-changing climate conditions, our partnership with our tobacco farmers yielded 5 million kilograms of tobacco in 2022, earning them an approximate total net pay of KShs 946 million.

To enhance farmer livelihoods through superior crop yields, we invested in research and development of our sustainable agriculture programme. We introduced elite tobacco seed varieties which guarantee better yield and disease resistance. To date, 53% of the tobacco planted is of the elite variety, which has significantly enhance farmer's fortunes. In addition, low-cost technology has been introduced, including the use of mechanised ploughing, ridgers and mechanised

planters. Currently, 31% of the total tobacco hectareage is mechanically ploughed and ridged. These interventions will reduce the cost of production through reduction of manual labour and time taken to prepare land and transplant seedlings from the nurseries.

A key innovation is the Central Seedling Unit (CSU) which was introduced in 2021. 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 De-centralised Seedling Unit programme including taking the technology to the farmer homesteads where the seedbeds are constructed. The float bed technology coverage increased by 9% to 21% in 2022.

Soil is a key element in farming, with good soil health translating to higher crop yields. In 2022, we undertook soil sampling for 23% of our farmer base to ascertain soil health, with all fields requiring correction being subjected to liming. This initiative brings the total hectareage of soils analysed to 47%. We plan to roll

out soil sampling to all our farmers in the upcoming crop seasons. Additionally, in order to enhance farmer yields, we doubled efforts and introduced a robust programme to address soil borne disease control in 2022.

Crop diversification and food security

As part of efforts to drive crop diversification and food security, we issued our farmers with 17,000 avocado seedlings. Additional seedlings will be distributed during the 2023 tobacco growing / harvesting season, with the first harvests expected in 2025. This will increase farmer income and ensure that farmer livelihoods are improved through enhanced opportunities to boost cash flows/income.

Capability building and compliance

We continuously invest in enhancing the capabilities of our farmers. In addition to training our contracted farmers, we trained their spouses on various aspects including prevention and elimination of child labour, women empowerment, rural youth development, and sanitation & hygiene.

Occupational health and safety

To enhance the health and safety of our farmers and conserve the environment, we continued to issue farmers with crop protection agents (CPA) waste collection bags. In 2022, we registered collection of 100% of empty CPA containers from farmers for safe disposal in conjunction with the National Environment Management Authority (NEMA) and the Agrochemical Association of Kenya (AAK) approved agents. In 2022, we commenced 100% recycling of the plastic agrochemical containers that were collected, further contributing to the circular economy.

Clean and renewable energy for farmers

In our quest to expand the use of renewable energy in our operations, we enhanced provision of solar lantern kits to our farmers. In 2022, we issued 248 full home-kit solar lanterns. So far, 29% of the farmer base has been issued with lanterns, with a 100% coverage expected to be achieved in the next 3 years. The issuance of solar lanterns also doubles up as an incentive to improve performance.

Women empowerment

The BAT team organised an event to mark the 2022 International Women's Day on 8th March with contracted farmers. As part of the activities, 254 women underwent general health screening, including screening for breast and cervical cancer, which are reported as the two most prevalent cancers among women. Those needing follow-up were referred to the appropriate medical facilities.



Delivery with integrity

Our approach to regulation

We have always been clear that we support regulation that is based on robust evidence and thorough research, is arrived at through robust consultative processes and delivers on the intended policy aims, while recognising unintended consequences.

We also believe that fit for purpose regulatory and policy regimes play a key role in enabling sustainable and responsible business and economic growth, including supporting over 80,000 adults who are part of our business.

Over the last few years, a confluence of technology, societal changes and public health awareness has given BAT an opportunity to meet the challenge of public health concerns associated with tobacco products. We are addressing the health impact of our business by offering our consumers a range of reduced risk* products. These products either do not contain tobacco or do not involve combustion, which is the main cause of smoking-related harm.

With these products being new to existing regulatory frameworks in Kenya and the region, there is urgent need for a restructure of existing laws, to put in place regulations that acknowledge scientific changes and innovations in our sector. It is critical that existing regulation is reflective of the risk profile of these new category products, to benefit from their significant potential to reduce the public health burden associated tobacco consumption in our country. Regulation across the world is increasingly reflective of the value of tobacco harm reduction, with regulators implementing progressive laws that acknowledge the benefit of reduced risk products and the role they can play in transitioning smokers to less risky products.

As industry leaders and experts, we have a legitimate contribution to make to policy-related matters around tobacco harm reduction and we are transparently contributing to national dialogue on building a sustainable regulatory environment.

Excise tax

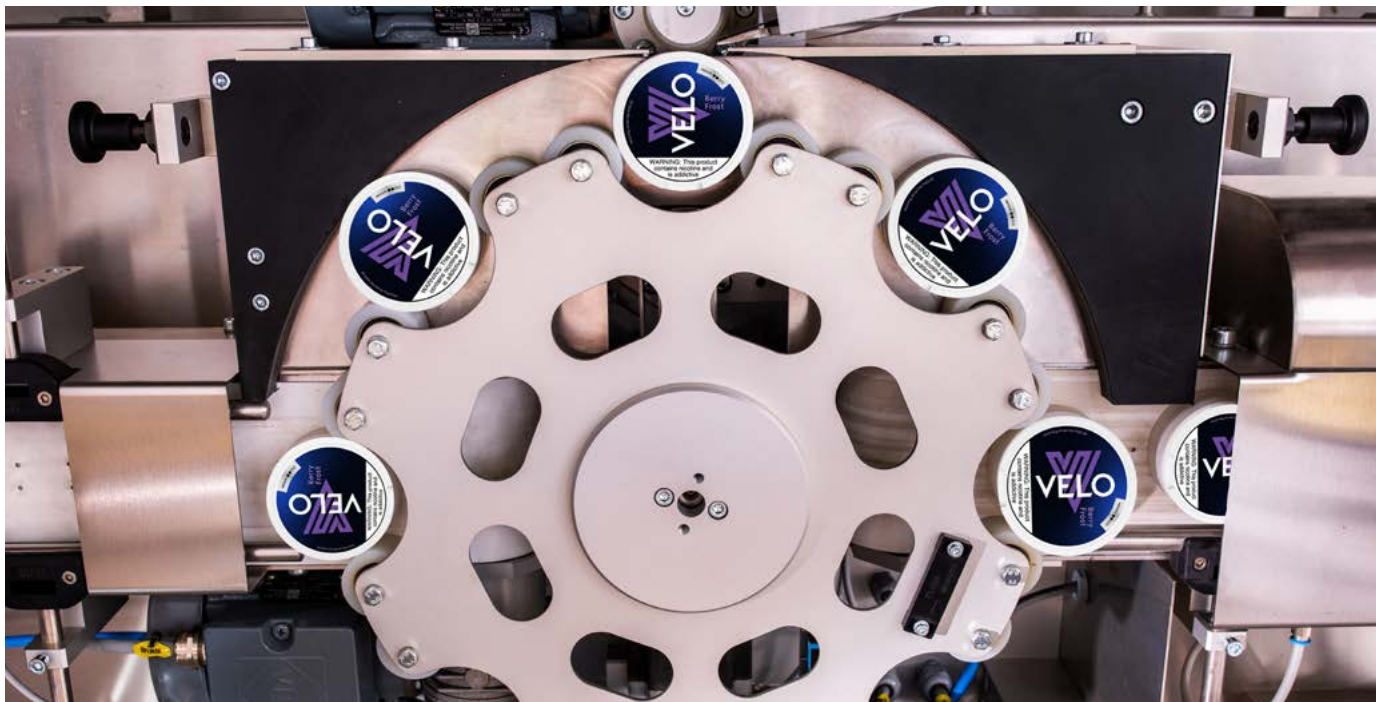
In 2022, we observed significant consumer affordability challenges owing to slow growth in the country's economy due to several factors, including drought, lower income and an increase in the cost of basic goods. Within the year, the Government has increased excise duty twice, driving the excise differential between Kenya and our neighbouring countries even further. The Government increased the specific rates of excise tax on cigarettes by 15% in the Fiscal Budget for 2022 read in April, effecting the rates in July. Additionally, the KRA Commissioner General on 3rd October 2022, adjusted these specific rates for inflation by another 6.3%. Effectively, in 2022 alone, excise duty has increased by 21.3%, and cumulatively

illicit



trade

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



by over 50% since July 2019. Such an increase which is ahead of the average inflation rate for the year presents an unstable and unpredictable business environment. This has forced consumers to seek cheaper products in the illegal market, as evidenced by the illicit trade incidence of 25.5% at the end of 2022 (third party research). This trend is evidence that steep excise increments do not lead to additional revenues. Rather, they force customer migration to illicit tax evaded products, resulting in revenue losses to the government.

Encouragingly, the government issued a draft tax policy for stakeholder input in 2022, 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 which will ultimately benefit tobacco control efforts.

Fighting Illicit trade in tobacco products

At 25.5% (third party research) illicit trade is estimated to cause an annual government revenue loss of over KShs. 6.5 billion. We note that the Government continuously increases excise rates with a view of increasing revenues which has not yielded anticipated results.

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.

In our view, the multi-agency team set up in 2018 to fight illicit and counterfeit goods has made significant gains. In order to see meaningful and lasting impact in addressing the current levels of illicit trade, it is critical that the new government doubles up efforts, including enhancing multistakeholder collaboration with government agencies from neighbouring countries, to ensure effective enforcement. However, enforcement is only curative, and it is important to have fiscal policies that facilitate legitimate trade. Aggressive tax policies need to be reviewed against the realities of the market to ensure that the government does not lose significant revenues and unnecessarily expose consumers to unregulated sub-standard products brought in by unscrupulous players.

Further, to curtail local manufacture 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.

Reducing the health impact of our business

Science and innovation are at the heart of our transformational journey, as we continue to build A Better Tomorrow™. We are applying world class science and research to provide adult consumers with alternative and viable products that aim to address most of the health risks associated with conventional cigarette smoking, supported by a balanced, evidence-based regulatory framework, including ensuring safety and quality through the International Organisation for Standardisation, regional and local product standards.



The aim of tobacco harm reduction is to minimise the health impacts of cigarette smoking by encouraging adult smokers who would otherwise continue smoking, to switch to scientifically substantiated reduced risk* products. 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. Globally, the BAT Group has developed a range of non-combustible reduced risk* products: *Tobacco Heated products, Vapour products and Modern Oral Nicotine pouches* - that address the health risks related with conventional cigarettes.

An increasing number of progressive international scientific and public health bodies have recognised the importance of new nicotine products based on scientific evidence. Public Health England has recognised the use of e-cigarettes as being likely to be at least 95% less harmful than smoking. 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 Europe.

In 2021, BAT became the first company in the US to receive marketing authorisation for its vapour product - Vuse, from the FDA, under its Premarket Tobacco Product Application (PMTA) process. In May 2022, The FDA issued Marketing Granted Orders (MGO) to BAT for its Vuse Vibe e-cigarette device and accompanying tobacco-flavoured closed e-liquid pod, as well as for its Vuse Ciro e-cigarette device and accompanying tobacco-flavoured closed e-liquid pod.

Many other countries such as the UK, US and France have recognised that alternative nicotine products are likely to be less risky than smoking* and their availability could have the potential to help reduce smoking-related harm at a population level. In the UK for example, vaping is credited with helping about 50,000 to 70,000 people stop smoking every year and is widely endorsed by its Ministry of Health.^[1]

Our introduction of modern oral nicotine pouches in Kenya in July 2022 manifests progress in broadening access to reduced risk products in Kenya. Additionally, the Kenya Bureau of Standards, has been at the forefront in facilitating development of product standards which once adopted will guarantee quality of products in the specific categories.

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

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

[1] <https://www.ucl.ac.uk/news/2019/oct/e-cigarettes-mayhelp-over-50000-smokers-quit-england-each-year>

** <https://www.fda.gov/tobacco-products/ctp-newsroom/fda-issues-marketing-decisions-vuse-vibe-and-vuse-ciro-e-cigarette-products#:~:text=The%20FDA%20issued%20marketing%20granted,flavored%20closed%20-e%2Dliquid%20pod.>

Stakeholder engagement

Civic participation is a fundamental aspect of responsible business and policy making. We participate in pertinent Policy processes in a transparent manner, in compliance with the laws and regulations of Kenya. To identify and prioritise our stakeholder groups, we use clearly defined Stakeholder Mapping and Classification Guidance which aligned to global best practice.

The table below provides an overview of our key external stakeholders and related engagement activities in 2022.

	Consumers	Shareholders	Our People	Suppliers	Customers	Governments & wider society
Why this stakeholder is important to us	As preferences and attitudes change in an evolving industry and in line with our Purpose to build A Better Tomorrow, understanding, our consumers is essential to deliver our strategy and purpose.	The support of our shareholders enables us to implement our strategy and achieve business objectives.	The quality of our people is a major reason why we continue to perform well. We are committed attracting and retaining the best Talent, while providing a fulfilling, rewarding and responsible work environment.	Effective relationships with farmers, suppliers of product materials and indirect services are essential to an efficient, productive and secure supply chain.	Our customers include distributors, wholesalers and retailers, who are essential for embedding responsible marketing practices and driving growth.	We seek to contribute transparently to national dialogue on the regulatory environment in which we operate, and collaborate in developing solutions to common challenges.
Examples of how we engaged	» Consumer care helplines » Product testing	» Annual General Meeting » Investor relations » Institutional shareholder meetings » Results announcements » Annual Report » NSE announcements & activities » Shareholder information on website	» Director market & site visits » Virtual forums & employee town halls » 'Your Voice' employee survey » Training events » Individual performance reviews » Speak Up channels » Health & wellness including COVID-19 support	» Ongoing farmer support, training & monitoring by our extension services » Sustainable Tobacco Programme assessments, reviews & meetings » Supplier reviews/audits » Supplier Voice survey & dialogue » Strategic partnerships	» Credit extension programmes » Anti-Illicit trade awareness campaign » Ongoing dialogue, contract discussions & account management » Customer Voice survey » Audits & performance reviews » Sales calls & visits by trade representatives » Business-to-business programmes	» Public participation including via submissions to government departments / agencies and parliamentary relevant committees » Alliance for Water Stewardship (AWS) audit & certification » Participation in community development projects e.g afforestation and community engagement on water stewardship matters

	Consumers	Shareholders	Our People	Suppliers	Customers	Governments & wider society
What matters to our stakeholders	» Product harm, addiction & social considerations » Product quality » Plastics/post-consumption product waste » Illicit trade	» Business performance » ESG Agenda » Corporate governance » Strength of leadership » Board succession planning	» Reward » Career development » Diversity and inclusion » Corporate responsibility » Health and safety » Business ethics » A purposeful place to work	» Productivity/quality/cost » Sustainable agriculture » Farmer livelihoods » Human rights » Health and safety » Climate change / environmental impacts	» Route-to-market » Contingency planning » Cost, price and quality » Stock availability » Consumer buying behaviour » Youth access prevention » Illicit trade / excise	» Product regulation » Tax/excise/illicit trade » Public health impacts » Climate change / environmental impacts » Illicit trade
How we respond	» Development of innovative products » Product stewardship, quality & safety standards » Clear and accurate product information » International Marketing Principles » Circular economy strategy	» Regular dialogue and communication » Robust corporate governance » Continual improvement of our Delivery with Integrity programme » Our range of innovative products » Product quality and safety standards » International Marketing Principles	» Effective communication and engagement with employees » Board review of feedback on workforce engagement » Training and development programme » Diversity & Inclusion Strategy » Delivery with Integrity programme	» Supplier Code of Conduct » Thrive sustainable agriculture and farmer livelihoods programme » Leaf operational standards for PPE and child labour prevention » Farmer extension services and training	» Customer loyalty programmes and incentives » Global Youth Access Prevention Guidelines » Training, capacity building and awareness campaigns	» Contribution to national dialogue to drive informed policy making. » Standards of Business Conduct » Market research and insights sharing » Youth Access Prevention Guidelines » Community Investment
Principal risk impact	» An unsustainable fiscal and regulatory environment	» Solvency and liquidity » Foreign exchange rate exposures » Disputed taxes, interest and penalties » Litigation » Market size reduction / consumer downtrading	» Injury, illness or death in the work place » Geopolitical tensions	» Inability to develop, commercialise and deliver New Categories	» Inability to develop, commercialise and deliver New Categories	» Inability to develop, commercialise and deliver New Categories » Significant excise increases » Significant increases in illicit trade

A Better Tomorrow™ for employees

Building an organisation that is fit for purpose

2022 was yet another fantastic year! The quality of our people is a major reason for our long-term success, which is forged in our strong culture and talented, diverse employees who are building the enterprise of the future – in line with our purpose to build A Better Tomorrow™.

BAT is embarking on a historical transformation to create a future-fit, multi-category consumer goods business. As we progress in this journey, we strongly believe in the quality of leadership that we have on board, which sets the pace for a successful transformation. As a team, we will be resilient and amplify our Ethos that have brought us thus far: BOLD, FAST, EMPOWERED, DIVERSE AND RESPONSIBLE.

As an empowered organisation, we aim to embed, engaged, agile and high performing teams to accelerate our transformation. In 2022, we continued to embody our Ethos at all levels of the organisation.

As a result of our commitment to building a purposeful place to work, we were certified by the global Top Employers Institute, as a Top Employer in Kenya, Africa, and the Globe, for the fifth consecutive year, coming in 2nd position nationally in 2020, 2021 and 2022.

Building blocks of an empowered organisation



Talent with
winning
capabilities

Culture &
leadership
behaviors

Diversity
& inclusion

Fit for
purpose
organisation
design



Top Talent with winning capabilities

A strong Employer Value Proposition (EVP) that is attractive to current & future-fit Talent

As part of our efforts to build a purposeful place to work through our people strategy, we continued to drive an energising, strong and agile environment where people remain empowered to deliver best quality products for our consumers, and sustained value for our shareholders.

We had a healthy level of churn in 2022, attracting +25 new hires into our organisation. Over 70 employees changed roles by way of promotions or lateral moves, which is testament to our commitment to continuous Talent development. Voluntary exits stood at 3%, significantly below the industry average of 6%, reaffirming our high Talent retention rate as a Top Employer.

Building a legacy of leaders

We believe in nurturing and accelerating careers locally and internationally, leveraging on BAT's global presence. As a net exporter of Talent within BAT, we had 23 Kenyans living and working for other BAT entities abroad in 2022.

During the year, we launched a mentorship initiative to benefit students over the age of 18, in select higher institutions of learning. The programme, NEXTGEN - *mentoring leaders of tomorrow*, seeks to help prepare continuing students with disabilities and those in science, technology, engineering, and mathematics courses (STEM), for the world of work.

Selected institutions include the National Industrial Training Authority (NITA), Kenyatta University (KU) and the Jomo Kenya University of Agriculture & Technology (JKUAT). The nine-month programme kicked off on 1st March with a cohort of 60 students, and has registered good momentum thus far.

As part of the programme BAT line managers worked closely with the learning institutions to deliver mentorship and a curriculum of soft skills training needed to thrive in the workplace.

To ensure optimal participation in the NEXTGEN programme throughout the nine months, we supported the students with data bundles as well as sign language interpreters for the deaf.



Not only did the students get an opportunity to virtually experience a day in the life of a BAT employee, they also gained invaluable knowledge from the soft skills modules which include but are not limited to:

1. **Self-mastery:** time management, assertiveness, teamwork, influencing, business report writing and prioritisation,
2. **Personal branding:** CV and cover letter writing, interview preparation, strategic networking, presentation skills, building a digital footprint & leveraging LinkedIn, design thinking and storytelling, and
3. **Wellbeing:** Financial management, work-life balance, stress management.

We are extremely proud of the positive feedback that we have received from all stakeholders and the demonstrated positive impact of our NEXTGEN programme. Congratulations to the first cohort who graduated on 9th December, with a few joining us on internship and others transitioning to permanent employment.

Moving ahead we are committed to contributing to the national agenda through investing in the next generation of leaders in Kenya in 2023 and beyond!

Culture and leadership behaviour

Personal Leadership Agenda (PLA)

In role modelling leadership behaviours, our Leadership Team went through a Personal Leadership Agenda (PLA) programme in 2022. This was designed to help them increase their effectiveness through a series of interventions and exercises focused on building high performing teams. As part of commitment to addressing the opportunity areas identified, outcomes of the PLA were cascaded to all employees, with a rallying call to live by our Ethos in the way we act, lead and work.

NOW programme

To continuously drive an engaged workforce, we launched the Nurturing our Wellness (N.O.W) programme, focussing on employee physical, mental and financial wellness and wellbeing. Our NOW journey got amplified in January 2022 following enhancement of medical benefits and an annual medical check-up conducted for all employees at their various work sites. Outcomes of the medical check-up culminated into five vibrant and employee-driven physical wellness clubs namely:



44%

Representation
of women in the
organization

N.O.W

Nuturing our
wellness programme

#tubonge

Talking about
mental health



We launched an internal programme *Let's Talk*, #Tubonge, to create awareness around mental health, to enable our people better cope with the stresses of life, work productively and realise their full potential. A rich pool of mental health experts conducted mental health education sessions to with our Line Managers and employees, culminating into the launch of an e-Care portal that provides extensive employee wellness services, including but not limited to, telephonic counselling, ask a doctor and ask a nutritionist.

BAT alumni network

We believe that maintaining connections with former employees is critical to cultivate new ventures, increase brand advocacy, leverage expertise and create talent development opportunities. It is for this reason that we launched a BAT Kenya alumni network where we share relevant information and updates as well as seek feedback on areas of opportunity and improvement.

Diversity & inclusion

Gender mainstreaming

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

We have a powerful strategy that focuses on Gender, Persons with Disabilities and Generations. At BAT Kenya, we are BOLD, with an ambition to achieve 50% representation of women in our organisation by 2025 (we currently stand at 44%).

In 2022, we participated in the Accenture Gender Mainstreaming Awards (GMA) which took place concurrently in Kenya and South Africa. The GMAs celebrate and reward those organisations that are actively accelerating equality in the workplace. It is, therefore, an important platform to showcase our diversity and inclusion agenda whilst benchmarking ourselves against other companies across Africa. The Awards took place on 6th October 2022, and we are proud to have received awards in the following categories: Gender Mainstreaming Champion Africa, Winner, Empowerment in the Workplace – East Africa and 2nd finalist in Gender and Disability – East Africa.

We are proud of our diverse employees who continue to make BAT Kenya a great place to work!

Women and men in BAT networks

To promote and advance a culture of inclusion through intentional positive and conscious efforts, we continued to champion targeted activities and programmes through our affinity groups - Women in BAT and Men in BAT. These groups have provided a safe space for employees to share their life and career experiences. This supports learning and development and fosters employee wellbeing. Further, it facilitates an inclusive workplace that enables our people to thrive and realise their full potential.

Registration of persons with disabilities

In 2022, we conducted a voluntary self-declaration survey on disabilities. This was aimed at helping us understand our employees' unique needs in order to offer reasonable accommodation and improve their quality of life. We further facilitated the registration process with the National Council for Persons with Disabilities (NCPWD).



Strength from Diversity

Introduction

As a Top Employer, BAT is committed to championing and benchmarking best practises for its People strategy. We recognise that fairness, inclusion and opportunity are at the heart of this, and embedded as a fundamental part of our organisational culture.

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

At BAT Kenya, diversity and inclusion is brought to life through our employer value proposition (EVP) *be the change while bringing your difference*. We walk the talk by embedding diversity & inclusion in our business strategy, with accountability through internal leadership reviews and externally through our annual reporting.

We are pleased to announce that the BAT Kenya Board of Directors comprises of 36% women and is one of the most gender diverse amongst listed entities at the Nairobi Securities Exchange. We believe that diverse and inclusive leadership means that we are better able to understand, truly innovate, and satisfy evolving consumer needs as we transform our business and build A Better Tomorrow™.

As part of our commitment to transparency and in line with our diversity agenda, we report our gender pay data for 2022 herein.

36%

percentage of female directors
on BAT Kenya Board



BAT Kenya gender pay reporting

Gender pay gap reporting: concepts and abbreviations

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

- » **Grades:** job positions at the same level which are combined into salary bands. BAT uses the Hay Methodology to evaluate job position gradings.
- » **Grade 37+ are considered senior management;** Grades 34 to G36 are considered middle management; Grades 32 and 33 are considered coordination/supervision level; and below G32 are operational levels.
- » **Average salaries:** calculation of the average current salaries referencing November 2022 payroll data.
- » **Annual salary review (ASR):** annual exercise of awarding salary increases based on the employee's annual performance rating. Increases are awarded by line managers within a defined range that considers the employee's current pay within the salary band of the grade.
- » **Years of service (YOS):** the total period that an employee has worked in the Company.
- » **Time in grade (TIG):** the total period an employee has worked in a job grade (salary band). Taking a 'snapshot' of this data at a point in time creates a level base for all reporting Functions. However, a snapshot may also mask the fluidity of gender pay gaps. Gender pay gaps can fluctuate month on month and across pay ranges, depending on changes to headcount due to new hires and leavers. It is important to monitor gender pay gap across the year, and not just on the snapshot date as this provides the organisation with a better understanding of what drives pay gaps at any given time.

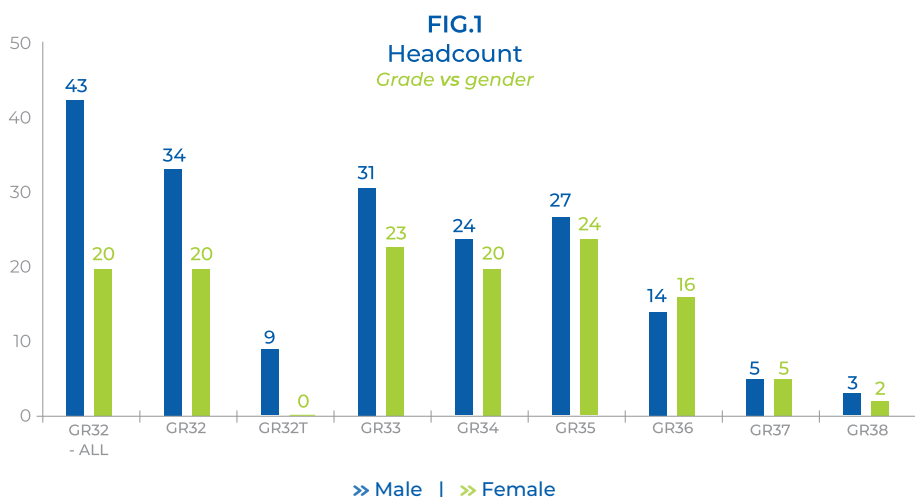
Total population

The graph below (Fig 1) shows the population of local employees across Kenya [excluding Expatriates] across grades.

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

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

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



Highlights

- » Overall, (G32 to G38), we have a 43% [110/146] female representation, a steady improvement from 42% in 2021 and 41% in 2020, which is a significant achievement given the challenges of COVID 19 since 2020.
- » At senior management level, we are proud to report a 47% female representation, a significant improvement from 32% in the last two years, owing to robust internal & external Talent engagement initiatives.

Pay gap

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 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 (Fig.2 & 3) and the pay distribution within the grades, which is impacted by YOS and ASR. From our most recent analysis, our male population has a higher average time in grade. This means that on average, they stay longer within the same pay grade than females. Our retention of more females should contribute to a more balanced average time in role.

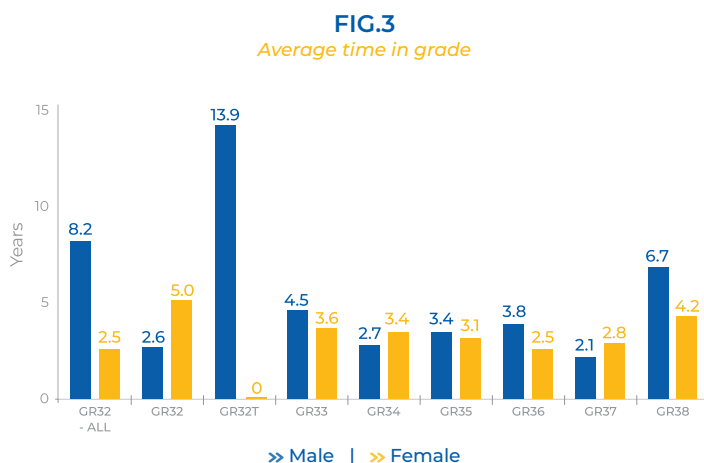
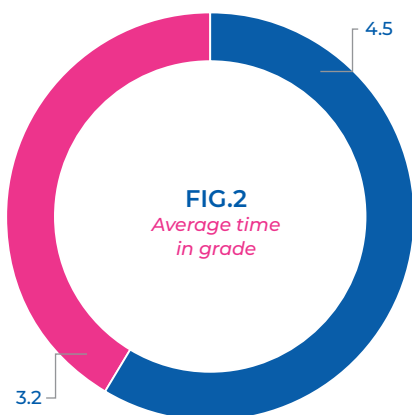
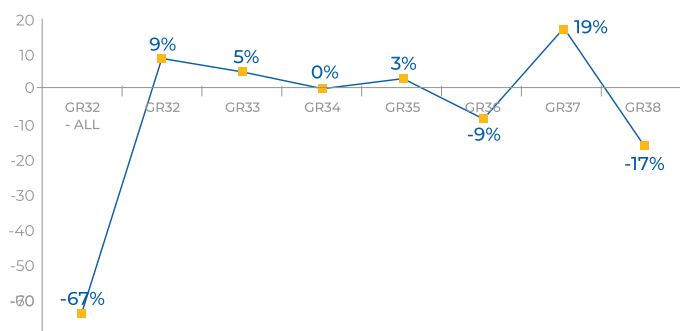


FIG.4
Gap Percentage (%)
Base salary per grade



Highlights

- » At the G37 senior management level, we have a strong female talent group comprising of consistent high performers as well as external joiners with solid experience. As a result, their base salaries are 19% higher than males.

Taking action – progress towards our goal

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

- » Implement a D&I strategy and tactical glide path by Function by year. We have a clear 2025 ambition with three pillars driven by leads and champions.
- » Unconscious bias training: We have continued rolling out our internal unconscious bias training, which addresses how bias can impact recruitment, right through to salary conversations and progression opportunities. Training all line managers reduces the potential for bias in hiring and pay decisions, as well as more generally in workplace practices.
- » Creating a salary tool that helps our department heads to monitor pay equity within their teams, as they can filter by gender, YOS and many other parameters. This enables them to see the potential impact of pay decisions on pay gaps.
- » Junior Women in Leadership programme. This is a two-day workshop for junior female Talent, focusing on enhancing leadership capabilities and offering the support and coaching needed to help them progress in their careers.
- » Employee resource groups: Women in BAT and Men in BAT affinity groups help advance a culture of inclusion by providing a safe space for employees to share life and career experiences. This supports learning and development and fosters employee well-being, a more inclusive workplace to enable our people thrive and realise their full potential.
- » We continue to champion flexible working across the organisation, having refreshed our flexible working policy to encourage better work life balance for employees.
- » Creating a more agile and collaborative work environment. Our focus is on how to further enable flexible working across our business through the application of technology (Collaborative apps, Microsoft Teams, remote access, etc).
- » A significant portion of our learning and development (L&D) activities are accessed via online training modules and mobile apps. This means that our workforce can easily access L&D tools and activities, despite their working hours or location, all of which can contribute to their progression at work.
- » Student mentorship programme. Collaboration with institutions of higher learning to better prepare young talent for the job market whilst building a solid pool for our entry level roles through our NEXTGEN programme.



Breakdown by Function

A deep dive into each business Function within BAT

MARKETING

FIG.5
Average time in grade
Marketing

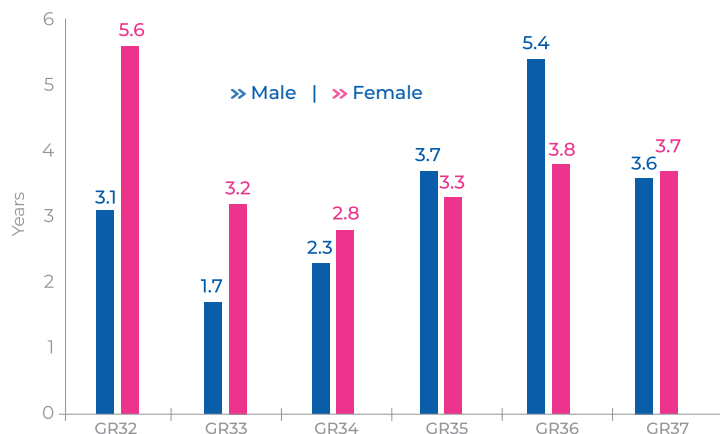
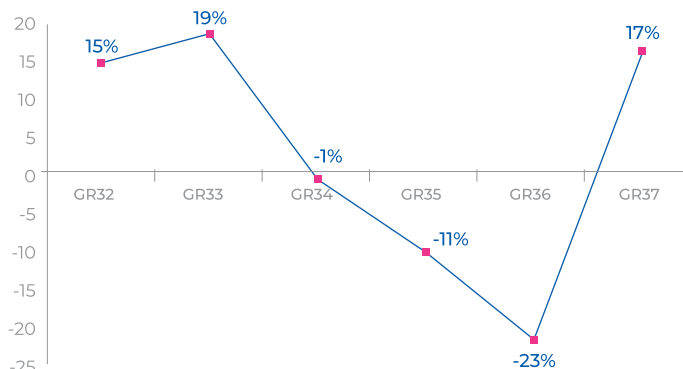


FIG.6
Average base salary pay gap
Marketing



Highlights

» In Marketing, our female representation is a source of pride standing at 60%. This Function accounts for the largest number of females in the Company's total population. We were celebrated by the Gender Mainstreaming Awards (GMA) in the categories: Gender Mainstreaming Champion, Empowerment in the Workplace, Gender and Disability. At the G35 and G36 level [Fig.6], the female employees are recent promotions into the grade hence on the lower quartile of the salary band.

OPERATIONS

FIG.7
Average time in grade
Operations

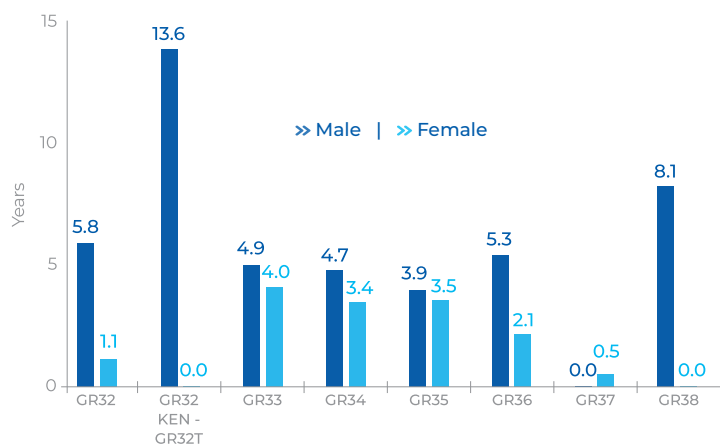
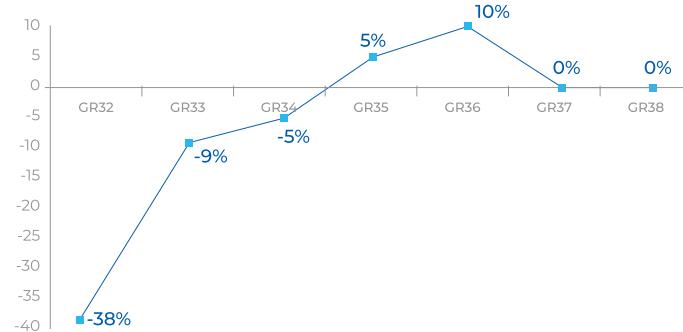


FIG.8
Average base salary pay gap
Operations



Highlights

» In Operations, there is a slightly different picture as the population is predominantly male represented at the G32 & G33 levels, having grown from union grades. We are proud of our efforts in retaining & hiring additional females at the middle management and most recently an addition at the Senior Management level. We continue to accelerate closure of our gender gap as we progress towards our 2025 ambition.

FINANCE

FIG.9
Average time in grade
Finance

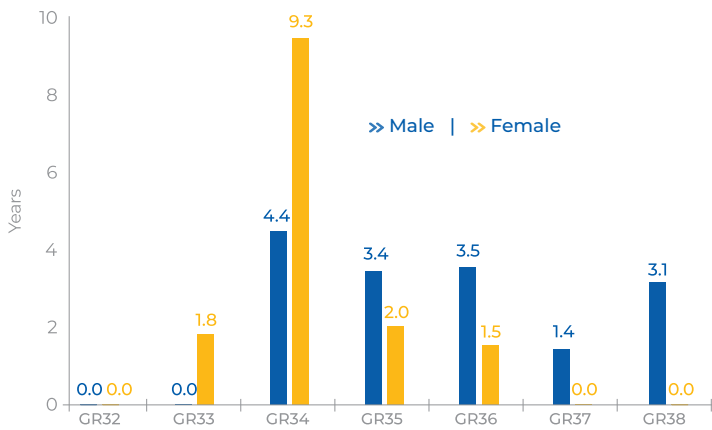
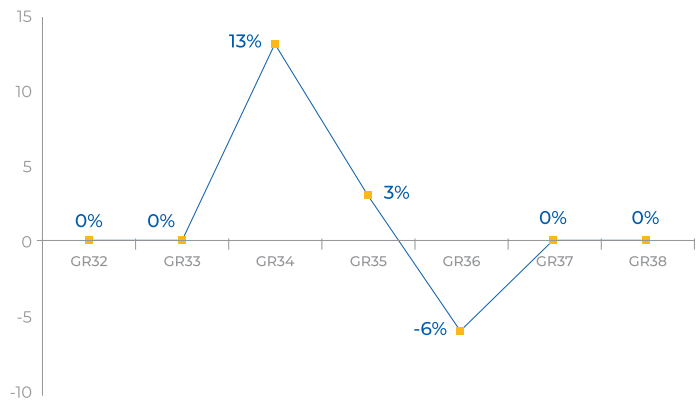


FIG.10
Average base salary pay gap
Finance



Highlights

- » Finance has 37% female representation. At G34 level, where females have the highest time in grade, this has also progressed their salaries over time in comparison to their male colleagues. Overall, the females' pay positioning is well balanced to that of the male population.

LEGAL & EXTERNAL AFFAIRS [LEX]

FIG.11
Average time in grade - LEX
Legal & external affairs

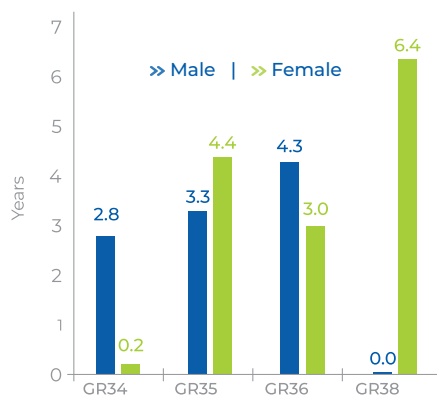
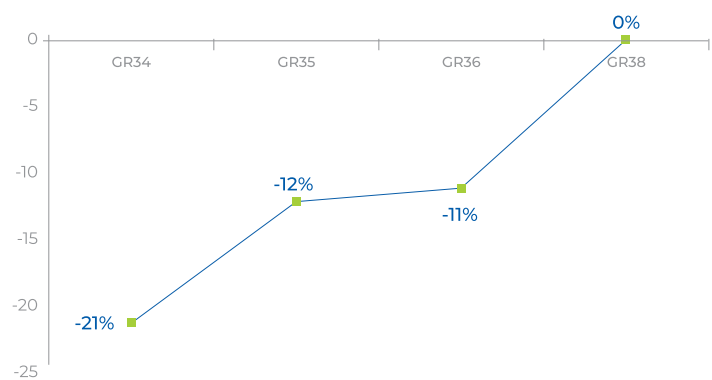


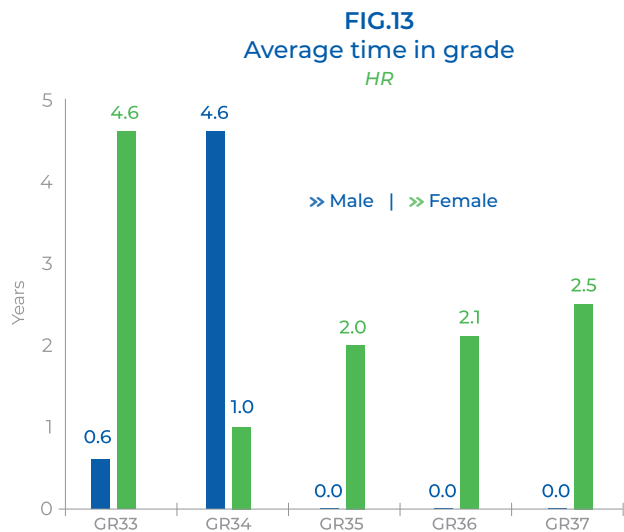
FIG.12
Average base salary pay gap - LEX
Legal & external affairs



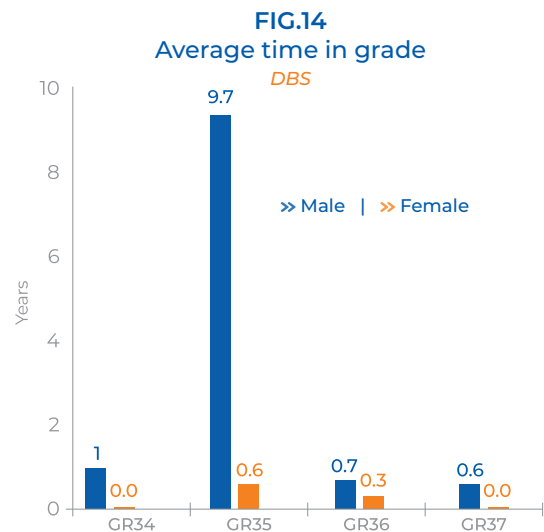
Highlights

- » In LEX, we also have a strong female representation standing at 10 out of 18 employees. At Grade 35 where the time spent in grade is higher than that of males, the males have a higher positioning of base salaries driven by more experienced recent joiners.

HUMAN RESOURCE (HR)



DIGITAL BUSINESS SOLUTIONS (DBS)



Highlights

» *HR is predominantly female, however, in the last year, an additional male joined the team. Special recognition goes to DBS, which was purely male in 2021, for their two female employees at middle management level. Targeted recruits/moves are being planned to bring more diversity into both teams.*



Managing Director's

PERSPECTIVE

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

We think of diversity and inclusion in its widest sense, as those attributes that make each one of us unique. We have made good progress in the empowerment of women, (with women comprising approximately +40% of our total workforce), age, cultural and social backgrounds amongst others.

Our employees are at the heart of our success and play a crucial role in the delivery of our purpose to build A Better Tomorrow™ by reducing the health impact of our business, driving environmental excellence and ensuring robust corporate governance across the business. Together we continue to build an inclusive culture where difference is valued, where employees from diverse backgrounds and experiences feel that they belong, are at their best and inspired by our vision of A Better Tomorrow™.



Head of Talent, Culture & Inclusion

perspective

We are extremely proud of our diverse employees who continue to make BAT Kenya a great place to work. Guided by our Ethos BOLD, FAST, EMPOWERED, DIVERSE, RESPONSIBLE, we have developed robust strategies to support our delivery of the 2025 D&I ambition and to accelerate this progress, we are enhancing our focus on PWDs and Gen Z talent, through collaboration with external institutions.

We continually strive to maintain a workplace where employees feel well-supported, even through the ongoing challenging times. This includes monitoring pay gaps to ensure that there are no discrepancies and/or any type of bias within any group of employees – including gender. Thus, the Company is well positioned amongst its peers. We will continue to focus on improving our diversity and inclusion performance year by year as it is one of our key operating principles.





In 2022, we continued with our digital transformation journey to ensure a future-fit business and deliver value. The Digital Business Solutions strategy was anchored on transforming behaviour and mindset. Agile teams collaborated with other Functions in the business to find solutions to problems and inefficiencies. The link to overall business strategy was paramount in ensuring we deliver sustainable results. We accelerated transformation through automation and analytic delivery of digital solutions across the business.

A step change in connectivity and end user computing through infrastructure renewal makes the workplace and remote work more productive, and this was a key area of focus in 2022. Employees took up training to enhance their digital skills, with a focus on data science, design thinking and agile project management. Route to Market optimisation was amplified and accelerated by increased adoption of digital tools to help regain volume from illicit trade.

The digital business solutions team partnered and collaborated with all Functions to drive a step change to drive data and analytics capabilities, which helped to accelerate the growth of our new product category. Further, the DBS team facilitated enhanced automation of otherwise manual tasks, recording time savings of over 20,000 hours in areas such as Finance.

From a people management perspective, digital service delivery and talent management was at the core of delivering strategic impact and greater business value. We leveraged on technology to automate several HR platforms including and not limited to recognition, leadership assessment, talent management, performance calibration and payslips management. The automation has enabled us to achieve greater efficiencies, collaboration and speed of execution, contributing to an excellent employee experience.

Further, our trade and marketing teams adopted dashboards and data platforms e.g. Khonecta and Mobile Service Representative (MSR) Apps, which have seen expansion of the retail universe by 50% leading to superior business results.

Some benefits accrued from our accelerated digital transformation have been improved problem solving, better and faster decision making and strategic thinking and leadership. We have also enhanced accountability among teams through a constant experimentation culture where failure is allowed for learning purposes.



Marks of recognition

BAT Kenya bagged various awards at the 2022 dx100 Awards hosted by @dx5ve (Formerly CIO Africa) in Diani, Kenya. We were crowned the overall winner in the manufacturing sector and received three “Gold Mark” awards for excellence in enterprise Information Technology Adoption in the following areas within BAT Kenya: Logistics and Supply Chain platform, Primary Manufacturing Department (PMD) Automation and Mobile Sales Representative Application (MSR). To top it off, BAT Kenya’s Head of Manufacturing was crowned CXO Digital Influencer of the Year!

The dx100 Awards aim to recognise and celebrate leaders and businesses driving change in their organisations through technology. Upon receiving the award,

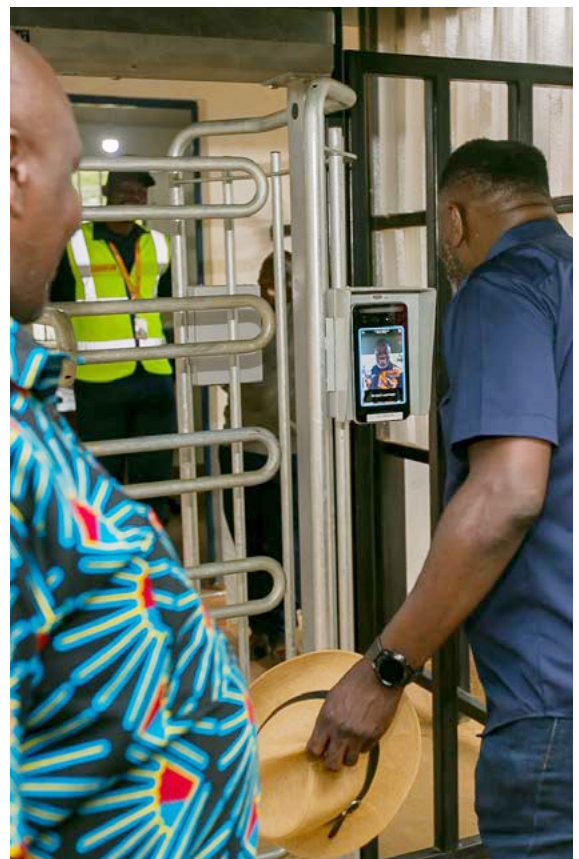
“ We are excited to have won the DX100 Manufacturing Sector Award 2022, CXO of the Year 2022 and Gold Mark awards in recognition of excellence in enterprise Information Technology adoption.

Over 400 applications from across Africa were received, with BAT Kenya being among the 130 nominees shortlisted for this year’s awards. All of the three projects we implemented and submitted for consideration won top prize in their category.

BAT Kenya has demonstrated and affirmed its digital transformation maturity and we acknowledge this award with humility and increased zeal to continue in the delivery of our purpose to build A Better Tomorrow™.

This has created a dynamic, inspiring and purposeful place to work for us as the impact of these digital initiatives empowers employees and increases productivity. I am truly excited to be part of the winning team and thank everyone involved for the collaboration that has led to this win.

~ Joan Ambutu,
Head of Digital Business Solutions







Corporate governance report

Board of Directors



RITA KAVASHE

Chairperson

Nationality: Kenyan

Position: Independent Non-Executive Chairperson since September 2020, Non- Executive Director since July 2020

Chairperson of the Board Nominations & Governance Committee

Skills and experience: Rita is currently the Managing Director of Isuzu East Africa Limited (formerly General Motors East Africa), the largest motor vehicle assembler in East Africa. She joined General Motors in 1995 and has held several key roles in Sales and Marketing, both in Kenya and South Africa.

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

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

Key Appointments:

- » Independent Non-Executive Director - Bamburi Cement Plc (Lafarge Group).
- » Member of the Advisory Council of the Kenya Private Sector Alliance (KEPSA).
- » Advisory Board Member of the Palmhouse Foundation.
- » Member of the University of Eldoret Endowment Trust Board of Trustees.



CRISPIN ACHOLA

Managing Director

Nationality: Kenyan

Position: Managing Director since January 2021

Skills and experience: Crispin joined BAT Kenya in 1999 where he remained until 2017, holding various senior roles within BAT Kenya and the Group, including, Managing Director Mozambique, Cluster General Manager-Mozambique, Zambia, Zimbabwe & Malawi, and Managing Director, Sudan. Subsequently, he joined the Kimberly-Clarke Corporation where he held the position of General Manager; West, East & Central Africa (WECA) and Managing Director Nigeria. Crispin returned to BAT in 2021 in his current role.

Key Appointments:

- » Cluster Head of BAT East & Southern Africa, based in Nairobi.



PHILEMON KIPKEMOI

Finance Director

Nationality: Kenyan

Position: Finance Director since May 2020

Skills and experience: Philemon has been with BAT Group for 17 years. He joined BAT Kenya in 2007 from PricewaterhouseCoopers (PwC), as Internal Audit Manager. He has subsequently held various senior Finance Leadership roles within the Group, including, Finance Controller (Uganda & Big Ben Tobacco DRC), Finance Controller (East & Central Africa), Head of Operations Finance (East & Central Africa) and most recently Head of Finance (Horn of Africa & Indian Ocean Islands).

Key Appointments:

- » Chair of the Board of Trustees, BAT Kenya Staff Provident Fund, Non-Executive Director of BAT Uganda and Head of Finance for BAT East and Southern Africa, based in Nairobi.



ANDRE JOUBERT

Non-Executive Director

Nationality: South African

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

Skills and experience: André joined the BAT Group in November 1999 and is currently the Area Director, BAT Sub-Saharan Africa (SSA). He has over 22 years' experience in various senior finance and management roles having worked as the Regional Head of Finance, East Europe, Middle East & Africa; Area Director, Caucasus & Central Asia; General Manager, Southern Africa Markets; Chief Finance Officer, Bentoel Investama (an Indonesian listed company), among others.

Key Appointments:

- » Area Director of BAT Sub-Saharan Africa based in South Africa.



CAROL MUSYOKA

Non-Executive Director

Nationality: Kenyan

Position: Non-Executive Director since February 2011 and a member of the Board Audit and Risk Committee and the Remuneration Committee

Skills and experience: Carol has numerous years of corporate and consulting experience, working in Kenya and the United States. Her Executive Management experience includes her previous role as Corporate Director at Barclays Bank of Kenya Ltd (now Absa Bank Kenya Plc) and Executive Director at K-Rep Bank (now Sidian Bank). She is the founder and Chief Executive Officer of Carol Musyoka Consulting Limited a corporate governance and leadership consultancy, through which she provides consulting and training services for various local public listed entities, private companies and not for profit organisations. She is also a popular weekly columnist in the Business Daily. Carol holds a Bachelor of Laws degree from the University of Nairobi. She is also a banker with over 15 years' experience.

Key Appointments:

- » Non-Executive Director - East African Breweries PLC.
- » Non-Executive Director - Kenya Breweries Limited.
- » Non-Executive Director - UDV (Kenya) Limited.
- » Immediate past Chairperson - Kenya Deposit Insurance Corporation.
- » Former Chairperson - Business Registration Services.
- » Former Non-Executive Director - Industrial and Commercial Development Corporation (ICDC).
- » Adjunct faculty at the Strathmore University Business School.



DR. MACHARIA IRUNGU

Non-Executive Director

Nationality: Kenyan

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

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

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

In June 2020, he was awarded the Presidential Order of Services – Uzalendo award, for his exemplary service in steering Kenya through the COVID-19 pandemic. In 2021, in recognition of his contribution to national development, Macharia was awarded the honour of the Moran of the Order of the Burning Spear (MBS) by the Head of State.

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

Key Appointments:

- » Board Member - KAG East University Council.



PETER MWANGI

Non-Executive Director

Nationality: Kenyan

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

Skills and experience: Peter is the immediate former Chief Executive Officer of the UAP Old Mutual Group in East Africa. Before this appointment, he was the Chief Executive Officer of the Old Mutual Group in Kenya from October 2014. He previously served as the Chief Executive Officer of the Nairobi Securities Exchange Limited for a period of 6 years to September 2014 and before that was the Chief Executive Officer of Centum Investment Company plc. He has over 22 years of proven business and leadership experience.

He holds a Bachelor of Science degree in Electrical Engineering from the University of Nairobi and is also a CFA charter holder. Additionally, he is a member of the Institute of Certified Public Accountants of Kenya, the Institute of Certified Public Secretaries, the Institute of Certified Investment and Financial Analysts and Kenya Institute of Management.

Key Appointments:

- » Independent Director - Funguo Investments Ltd.
- » Independent Director - Digital Opportunity Trust.



MARION GATHOGA-MWANGI

Non-Executive Director

Nationality: Kenyan

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

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

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

Marion holds a Bachelor of Science (Honours) degree in International Business Administration from the United States International University (USIU) Kenya and is a practicing Continual Improvement (CI) Kaizen expert. Marion is a member of Women Corporate Directors (WCD), Women on Boards Network (WoBN) and the Institute of Directors of South Africa (IODOSA). She also serves on various SMME boards as an advisor.

Key Appointments:

- » Board member - BOC Kenya Plc.
- » Board member - Kenya Association of Manufacturers (KAM).
- » Director - Palmhouse Foundation (an education trust).
- » Board member – Kenya Nut Company.



SAMUEL ONYANGO

Non-Executive Director

Nationality: Kenyan

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

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

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

Key appointments:

- » Non-Executive Director - Equity Bank Kenya Limited.
- » Non- Executive Director - Jadala Investments Ltd.
- » Independent Director – The Nairobi Hospital.



DR. MARTIN ODUOR-OTIENO

Non-Executive Director

Nationality: Kenyan

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

Skills and experience: Dr. Odour-Otieno is the Founder and CEO of The Leadership Group Limited, a Nairobi-based consulting firm, which is involved in facilitating board practice and leadership development, as well as providing executive coaching and business advisory services.

Prior to this, he worked with Deloitte East Africa as a Financial Services Partner and KCB Group as Chief Executive Officer, among other senior private sector appointments. He has also served as Permanent Secretary, Ministry of Finance and Planning and the Treasury, in the Government of Kenya.

He holds an honorary Doctor of Business Leadership degree from KCA University, Executive MBA from ESAMI/Maastricht School of Management and Bachelor of Commerce degree from University of Nairobi. He is also an alumnus of the Harvard Business School's Advanced Management Program.

In recognition of his contribution to national development, Martin was awarded the honour of the Chief of the Order of the Burning Spear (CBS) by the Head of State.

He is a Fellow of the Kenya Institute of Bankers, Fellow of the Institute of Certified Public Accountants of Kenya, Fellow of the Institute of Directors Kenya and Fellow of the Institute of Certified Secretaries of Kenya in addition to holding an International Coaching Federation Credential at the level of Professional Certified Coach.

Key Appointments:

- » Group Chairperson - East African Breweries PLC.
- » Non-Executive Director - Standard Bank Group.
- » Non-Executive Director - Standard Bank of South Africa.
- » Chairperson - Kenya Breweries Limited.
- » Chairperson - UDV (Kenya) Limited.
- » Past President of the International Coaching Federation (ICF) Kenya Chapter.
- » Past Chairperson of the Institute of Certified Public Accountants of Kenya.



KATHRYNE MAUNDU

Company Secretary

Nationality: Kenyan

Position: Company Secretary since June 2020

Skills and experience: Kathryn is a Partner at Stamford Corporate Services LLP, part of Bowmans Coulson Harney LLP. She is a leading expert in Corporate Governance within the East Africa region and has been instrumental in advising leading corporates in the public and private sector, over the last 15 years. She is an Advocate of the High Court of Kenya, a registered Certified Public Secretary and an Accredited Governance Auditor with the Institute of Certified Secretaries of Kenya. Kathryn is recognised as a leader and mentor in society and has been named as one of the Top 40 under 40 Women in Kenya – 2018, amongst other accolades.

Key Appointments:

- » Council member - Institute of Certified Public Secretaries of Kenya.
- » Director of the Anti – Doping Agency of Kenya.
- » Member of the Women on Boards Network.
- » Member of Women Corporate Directors.
- » Member of the Law Society of Kenya.

Leadership team



Crispin Achola

MANAGING DIRECTOR

Crispin joined BAT Kenya in 1999 where he remained until 2017, holding various senior roles within BAT Kenya and the Group, including, Managing Director Mozambique, Cluster General Manager- Mozambique, Zambia, Zimbabwe & Malawi, and Managing Director, Sudan. Subsequently, he joined the Kimberly-Clarke Corporation where he held the position of General Manager; West, East & Central Africa (WECA) and Managing Director Nigeria. Crispin returned to BAT in 2021 in his current role. He is also the Cluster Head of BAT East & Southern Africa, based in Nairobi.



Philemon Kipkemoi

FINANCE DIRECTOR

Philemon has been with BAT Group for 17 years. He joined BAT Kenya in 2007 from PricewaterhouseCoopers (PwC), as Internal Audit Manager. He has subsequently held various senior Finance Leadership roles within the Group, including, Finance Controller (Uganda & Big Ben Tobacco DRC), Finance Controller (East & Central Africa), Head of Operations Finance (East & Central Africa) and most recently Head of Finance (Horn of Africa & Indian Ocean Islands). Philemon is also Chair of the Board of Trustees, BAT Kenya Staff Provident Fund, Non-Executive Director of BAT Uganda Ltd and Head of Finance for BAT East and Southern Africa, based in Nairobi.

Lucy Evara

HEAD OF TALENT, CULTURE
& INCLUSION

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



Rumbidzai Hondora

HEAD OF MARKETING DEPLOYMENT

Rumbidzai has over 15 years of experience in trade marketing & distribution, route-to-market & channel Management and Shopper Marketing in the FMCG and service Industries. She joined BAT Zimbabwe in 2012 and has subsequently held various roles including leading a strategic business unit in BAT South Africa and her immediate former role as Head of Marketing for Southern African Markets based in Mozambique. Rumbidzai is an associate member of the Institute of Marketing Management of South Africa and the Marketing Association of Zimbabwe. She is also the Head of Marketing Deployment for BAT East & Southern Africa, based in Nairobi.





Ken Gitonga

HEAD OF COMMERCIAL

Ken was appointed to his current role effective 1 April 2023. Ken re-joined BAT Kenya in April 2017 as National Sales Manager and in 2018, proceeded for an international assignment at the BAT Group office in London, UK where he took on the role of Trade Marketing Manager for the Americas and Sub-Sahara Africa region and subsequently, International Brand Manager for the Modern Oral Nicotine portfolio. In April 2021, he moved to South Africa as Head of Activations for the East & Southern Africa Area and soon after, was appointed as the Head of Trade for East African Markets in February 2022. Ken has transformed the Company's route to consumer capabilities while maximising the revenue potential of the business, through robust people leadership. He is also the Head of Commercial for BAT East & Southern Africa, based in Nairobi.



Joan Ambutu

HEAD OF DIGITAL
BUSINESS SOLUTIONS

Joan has more than 20 years of experience in Information and Digital Technology. She joined BAT in October 2022. Prior to BAT, she served in various roles including Technology Lead, Unilever East Africa and before that Head of IT Services Delivery for KCB Group. She holds a Bachelor of Science degree in Mathematics from JKUAT and has undertaken MBA course at USIU and MSc in Data Science at Strathmore University among other various certifications in IT. Joan is also the Transformational Portfolio Lead for BAT East & Southern Africa, based in Nairobi.



Juliana Marinho

HEAD OF MANUFACTURING

Juliana joined BAT Brazil in 2009. She is an experienced operations professional who has built diverse experience across various areas such as procurement, supply chain, new product introduction, manufacturing and tobacco operations. She was the Head of Leaf Operations in Brazil, prior to joining BAT Kenya in December 2022 as the Head of Manufacturing, based in Nairobi.



William Elliot

HEAD OF LEGAL

William joined BAT in 2014 from Hogan Lovells International LLP London, as Legal Counsel based in London, UK. William brings over 14 years of experience; advising on complex, often international, regulatory, and commercial issues; specialising in judicial review and civil litigation, and administrative law and commercial human rights. Prior to his current role, he was Head of Legal and External Affairs for BAT East and Central Africa from 2019 to 2021, and before that, a Senior Counsel in BAT's Litigation and Regulation Centre of Excellence in London, UK. William is also the Head of Legal for BAT Sub-Saharan Africa, and a Director of BAT Distribution Tanzania Ltd.



Tashanya Okola

HEAD OF EXTERNAL AFFAIRS

Tashanya joined BAT Kenya in March 2017 as the Anti-illicit Trade Manager (AIT) for the then BAT East and Central Africa cluster and has subsequently held various roles within Government Affairs in BAT's East and Southern Africa Markets (ESA). Following a short-term assignment in March 2022 as the Head of Government Affairs for Southern Africa Markets (SAM), she was appointed to her current role effective April 1, 2023. Tashanya has been instrumental in shaping the fiscal and regulatory environment for New Categories in Kenya and managing complex trade bloc and regulatory matters in EAM and SAM. She is also the Head of External Affairs for BAT East & Southern Africa, based in Nairobi.



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OWN

Statement of the Legal and Compliance Auditor's Report

British American Tobacco Kenya plc (the Company) is a public listed company registered in Kenya (C. 21/69). The Company is listed on the Nairobi Securities Exchange and is primarily involved in the manufacture, distribution and sale of tobacco and nicotine products in Kenya. The Company is regulated by the Tobacco Control Board under the Tobacco Control Act (No. 4 of 2007) and the Capital Markets Authority, established under the Capital Markets Act (CAP 485A).

Pursuant to the Code of Corporate Governance Practices for Issuers of Securities to the Public 2015 (the Code), all listed companies are required to undertake a comprehensive independent legal audit of their business entities at least once every two (2) years, and which should be conducted by a legal professional in good standing with the Law Society of Kenya. The audit entails an objective examination, assessment and evaluation of a company's internal policies and procedures, vis a vis the requirements stipulated under the relevant laws, regulations, guidelines and international best practices. The Board is also responsible for ensuring that the compliance strategy is aligned to the operations of the Company.

The 2022 independent legal and compliance audit was carried out by Kaplan & Stratton Advocates, led by Mr. Kenneth Kamaitha, an Advocate of the High Court of Kenya who is in good standing with the Law Society of Kenya.

The Auditor confirms that during the year ended 31 December 2022 the Company was generally compliant with the laws, regulations, and standards applicable to it.

Kenneth Kamaitha

Partner, Kaplan & Stratton Advocates
Practice No. P.105/6534/07

Our Corporate Governance Statement

The Board of Directors (the Board) of BAT Kenya plc (the Company) considers that good governance, achieved through an ethical culture, competitive performance, effective control and legitimacy, can create sustainable value and enhance long-term equity performance.

The Board applies good governance practices to promote strategic decision making for the organization to balance short, medium and long-term outcomes to reconcile interests of its stakeholders and the society to create sustainable shared value. To that end, sound governance practices, based on accountability, transparency, ethical management and fairness, are entrenched across the business.

Statement of Directors' responsibilities

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

Directors must have due regard to the long-term consequences of their decisions, the legitimate interests of employees, the need to foster effective business relationships with suppliers, customers and various stakeholders, the impact of the Company's operations on the community and the environment, and the desire to maintain a reputation for high standards of business conduct.

The Board is committed to ensuring that the Company complies with the laws, regulations and standards applicable to it. The Directors are responsible for putting in place governance structures and systems that support the practice of good governance. The Board ensures that high standards and practices in Corporate Governance and more specifically the principles, practices and recommendations set out under the Code of Corporate Governance Practices for Issuers of Securities to the Public, 2015 ("the CMA Code"), as well as the Companies Act, 2015 ("the Act") are adhered to.

The responsibility includes planning, designing and maintaining governance structures that ensure effective leadership and strategic management, transparency and disclosure, compliance with laws and regulations, communication with stakeholders, Board independence and governance, Board systems and procedures, consistent shareholder and stakeholders' value enhancement and corporate social responsibility and investment.

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

The Board regularly reviews its corporate governance arrangements and practices and ensures that the same reflects the developments in regulation, best market practice and stakeholder expectations.

Leadership and responsibilities

Overview

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

Throughout the year ended 31 December 2022 and to the date of this report, the Company endeavoured to comply with the Capital Markets Authority (CMA) Code of Corporate Governance Practices for Issuers of Securities to the Public 2015 (the 'Code'). The Board considers that this Annual Report and notably this section, provides the

information that shareholders need to evaluate how the Company has applied the principles in the Code. In addition to complying with the Code, the Company has embedded internal rules of engagement to support corporate governance. These internal guidelines are constituted in BAT's Standards of Business Conduct, to which every employee, contractor and Director must adhere, whilst BAT suppliers are required to comply with a similar set of standards - the Supplier Code of Conduct.

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

The role of the Board

The Board serves as the focal point and custodian of corporate governance in the Company. The Board is collectively responsible for the Company's vision, strategic direction, its values, and governance. The Board is accountable to the Company's shareholders for the performance of the business, as well as for the long-term success and sustainability of the Company. It provides the leadership necessary for the Company to meet its performance objectives within a framework of appropriate internal checks and controls.

The key responsibilities of the Board include:

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

The Board operates through three principal Board Committees, which are mandated to review specific areas and assist the Board undertake its duties effectively and efficiently. These Committees are: the Nominations and Governance Committee, the Audit and Risk Committee and the Remuneration Committee. The roles, membership and activities of these Committees are described in more detail later in this Report. Each Committee has its own terms of reference which are reviewed annually and updated as appropriate.

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

Division of responsibilities

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

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



Leadership and responsibilities (continued)

The Leadership Team

The Leadership Team led by the Managing Director, is responsible for the day-to-day management of the Company and its operating subsidiaries. In so doing, it oversees the implementation of the strategy and policies set by the Board. Profiles of the Leadership Team are set out on pages 66 and 67 of this Annual Report.

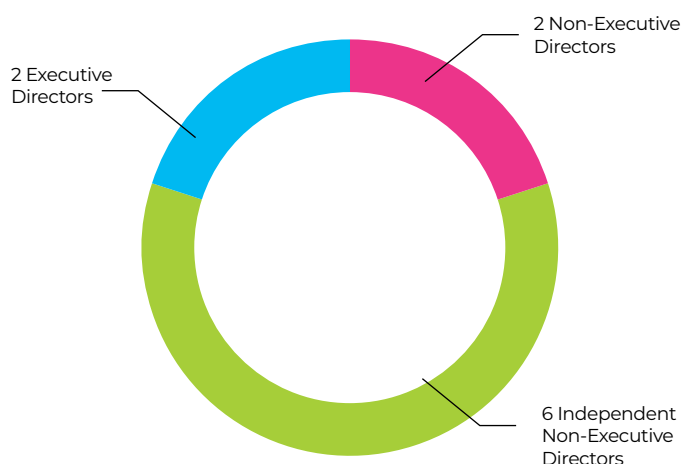
The key responsibilities of the Leadership Team include *inter alia*:

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

The composition of the Board

The Articles of Association of the Company provides that the Board shall comprise of a maximum of eleven Directors.

The Board is comprised of ten (10) Directors, eight (8) being Non-Executive Directors including the Chairperson, and two (2) Executive Directors. Of the eight Non-Executive Directors, six (6) are Independent.



The Board determines its size and composition, subject to the Company's Articles of Association, Board Charter, relevant policies, applicable law and best practices. The Board composition is driven by the following principles:

- The Board must comprise of a majority of independent non-executive directors.
- The Board should consist of directors with a board range of skills, experience and expertise and be from a diverse range of backgrounds.
- The Chairperson of the Board must be an independent non-executive director.

Non-Executive Directors

As at 31 December 2022 and as at the date of this Annual Report, the Board had eight (8) Non-Executive Directors. The role of the Non-Executive Directors includes: to help develop strategy, review Management's proposals, scrutinise performance of Management and the Company, bring an external perspective to the Board, monitor reporting of performance and be available to meet with major stakeholders as appropriate.

Independent Directors and independence

As at 31 December 2022 and as at the date of this Annual Report, Six (6) of the Non-Executive Directors were Independent as defined in the Code and accordingly the majority of the Board was constituted of Independent Directors.

Annual Board work plan

The Board has in place an annual work plan that sets out the Board activities in a year. The Work Plan is designed to enable the Board to drive strategy forward across all the elements of the Company's business model. The key activities of the Board in 2022, grouped under the Company's four strategy pillars, are set out on pages 76 and 77.

During the year ended 31 December 2022, the Board held four Board meetings; a strategic planning session was held in September 2022. The Company held its Annual General Meeting in May 2022. Attendance by the Directors to the Board and AGM meetings in 2022 is outlined on the next page:

Leadership and responsibilities (continued)

Name	17.02.2022	28.04.2022	(AGM) 24.05.2022	19.07.2022	02.12.2022
Rita Kavashe	✓	✓	✓	✓	✓
Crispin Achola	✓	✓	✓	✓	✓
Philemon Kipkemoi	✓	✓	✓	✓	✓
Dr. Martin Oduor- Otieno	✓	✓	Absent with apology	✓	✓
Peter Mwangi	✓	✓	✓	✓	✓
Carol Musyoka	✓	✓	✓	✓	✓
Samuel Onyango	✓	✓	✓	✓	✓
Dr. Macharia Irungu	Absent with apology	✓	✓	✓	✓
Marion Gathoga - Mwangi	✓	✓	✓	✓	✓
Andre Joubert	✓	Absent with apology	✓	✓	✓

Board Appointment

Succession planning is an on-going process, with the Board discussing the same regularly. The nomination and appointment process of a director to the Board is clearly set out in the Board Appointment Policy. The Policy provides that the Nominations and Governance Committee is responsible for the selection and appointment of board directors.

Prior to any appointment, the Nominations and Governance Committee defines the functions and core competencies for each vacant directorship role. It also develops suitable selection criteria for potential candidates, screens and interviews them.

The preferred candidates meet with the members of the Committee before a final decision is made. The Committee then puts the short-listed candidate forward for consideration by the full board. Upon consideration of the board, a successful candidate is appointed to the board. New Directors are issued with letters of appointment, with clear terms and conditions regarding the discharge of their duties.

A Director appointed by the Board to fill a casual vacancy must seek election at the next Annual General Meeting after their appointment. As further provided for in the Articles of Association, at every AGM, and as may be applicable, at least one-third of the non-executive Directors must retire from the Board and where eligible, stand for re-election.

In accordance with the Articles of Association of the Company, all Non-Executive Directors offer themselves for re-election at regular intervals, subject to continued satisfactory performance and commitment. All new

appointments to the Board (except for Executive Directors) are subject to election by shareholders at the first Annual General Meeting after their appointment. Executive Directors appointments to the Board are managed in line with their contracts of employment with the Company and therefore excluded from retirement by rotation.

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

During the AGM on 24th May 2022, Samuel Onyango, Dr. Macharia Irungu and Marion Gathoga-Mwangi retired in accordance with Article 102 of the Articles of Association and being eligible offered themselves for re-election and were each re-elected by the shareholders to continue serving as Directors on the Board.

At the Company's AGM scheduled to be held on 15th June 2023, the Company will submit the following eligible Directors for re-election: Rita Kavashe and Dr. Martin Oduor-Otieno. The Nominations and Governance Committee confirms that the performance of the Directors being proposed for re-election continues to be effective and that they continue to demonstrate commitment to their roles including commitment of the necessary time for Board and committee meetings and other duties.

The Board Appointment Policy can be read on the Company's website (www.batkenya.com).

Board skills, experience and diversity

The Board recognises and embraces the benefits of diversity and views increasing diversity as an essential element in maintaining a competitive advantage.

The Company seeks to have a Board that has the right mix of individuals with relevant attributes skills, knowledge and experience and who jointly have the overall collective competence to deal with current and emerging issues and effectively guide Management in ensuring the highest performance for the Company. The Non-Executive Directors are expected to have a clear understanding of the strategy of the Company as well as knowledge of the industry in which the Company operates. The aggregate mix of skills and experience of the Directors seeks to challenge Management, ensure robust and constructive debate, augments and challenges the strategic thinking of the executives thereby adding value to the Company.

The Board regularly reviews the skills, knowledge and experience represented on the Board against the skills and experience needed to deliver the strategy. The Board continues to make efforts on diversifying the skillset and gender. The Nominations and Governance Committee has been tasked to take this into consideration in its nominations.

Our Non-Executive Directors come from broad industry and professional backgrounds, with varied experience and expertise aligned to the needs of our business. Short biographies of the Directors, including details of nationalities, relevant skills and experience, are set out on pages 62 to 65. The Board's Diversity Policy can be read on the Company's website (www.batkenya.com).

Director induction

On joining the Board, all new Directors receive a full induction. Non-Executive Directors also receive a full programme of briefings on all areas of the Company's business from the Executive Directors, members of Management's Leadership Team, the Company Secretary and other Senior Executives. The induction includes a factory tour and a market visit. There were no new Directors appointed in 2022.

Director training and development

Directors receive Functional presentations built into the annual Board Work Plan to gain a good sense of the Company's operations and key activities. They also participate in scheduled market visits to gain exposure to the Company's business on the ground.

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

During the financial year under review, the Directors engaged in e-learning or facilitator led training on areas of governance from credible sources. Topics that were discussed included: Update on new and emerging legislation held on 28 April 2022, the Role of the Board in ESG integration and reporting held on 19 July 2022. The Board also held its strategy session on 23 September 2022 and matters discussed included the role of ESG as an integral part of the Company strategy, portfolio innovation and equity building, the Velo relaunch, digital transformation to accelerate growth and the regulatory and fiscal environment. A Board market visit was held on 2 December 2022 where the Board was taken through the Company's performance and received first hand feedback from our distributors and consumers on the portfolio transformations, digital transformations and the various trade programs deployed in the market.

In 2022, each Director was able to secure at least twelve (12) hours of training on areas of governance and regulatory compliance from the Company and other credible sources as prescribed by the CMA Code of Corporate Governance Practices for Issuers of Securities to the Public 2015.

Board evaluation

In line with the provisions of the Code of Corporate Governance Practices for Issuers of Securities to the Public, 2015, the Board undertook an independent annual evaluation of the performances of the Board, its Committees, the Chairperson and each individual Director and the Company Secretary. This was aimed at enabling the Board, the Committees and their respective members to gauge their performance and identify areas of improvement.

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

Individual feedback was given by the Chairperson to all Board members following the Board evaluation exercise. The Directors, the Board and various Committees continue to implement the recommendations from the board evaluation.

Board skills, experience and diversity^(continued)

Governance Audit

The CMA Code provides that issuers of securities to the public are required to undertake periodic governance audits.

Following extensive stakeholder consultation to consider the frequency, cycle, cost and scope of governance audits, the Capital Markets Authority (CMA) advised all issuers of a revision in the cycle of governance audits to at least once every two years with the option of CMA increasing or decreasing this frequency on a risk-based approach.

The Company undertook a governance audit in 2021 which was conducted by Dorion Associates LLP who issued an unqualified report. The audit confirmed that the Board has put in place a sound governance framework, which is in compliance with the legal and regulatory framework and in line with global best governance practices for the interest of stakeholders.

The Company did not undertake a governance audit in the year 2022. The Board and various Committees continue to implement the recommendations from the 2021 Governance audit. The next governance audit will be undertaken in the financial year 2023.

Legal and Compliance Audit

In compliance with the CMA Code of Corporate Governance Practices for Issuers of Securities to the Public, 2015, an entity is required to undertake a legal and compliance audit with the objective of ascertaining the level of adherence to applicable laws, regulations and standards. The Board appointed Kaplan & Stratton Advocates to conduct an external Legal & Compliance Audit for the year ended 31 December 2022. The report thereof from the audit was deliberated upon and approved by the Board on 19 May 2023. Implementation of the recommendations thereof is ongoing.

The Report of the External Legal & Compliance Auditor is set out on page 69.

Corporate Governance Assessment Report

During the year 2021, the Capital Markets Authority assessed the status of implementation of the CMA Code by the Company for the year ended 31 December 2021. The assessment was based on a review of the following areas: commitment to good corporate governance (leadership rating of 90%); board operations and control (leadership rating of 90%); rights of shareholders (leadership rating of 87%); stakeholder relations (leadership rating of 67%); ethics and social responsibility (leadership rating of 85%); accountability, risk management and internal control (leadership rating of 67%); transparency and disclosure (good rating of 83%). The overall rating awarded to the Company

was a leadership rating of 87% - a testament to the Board's commitment to sound corporate governance practices.

The Company continues to implement the recommendations received from the CMA to improve its level of implementation of the recommendations under the CMA Code.

Conflict of interest

All Directors of the Company must avoid any situation which might give rise to a conflict between their personal interest and that of the Company.

The Directors are each responsible and are required to give advance notice to the Chairperson and the Company Secretary of any actual or potential conflict of interest situations as soon as they arise. The Board has formal procedures for managing compliance with the conflict of interest provisions of the Companies Act, 2015 and the CMA Code of Corporate Governance Practices for Issuers of Securities to the Public, 2015. It may authorise situational conflicts under the Company's Articles of Association.

The Board also requires all Directors to disclose on appointment and annually any circumstance which may give rise to an actual or potential conflict of interest with their roles as Director.

Declaration of conflict of interest is also a standing agenda item in all Board and Committee Meetings prior to discussion of the substantive agendas. Directors who have an interest in a matter are excluded from the quorum and do not vote in respect of that matter. No material conflict of interest was identified and reported by the Directors in 2022.

Access to independent advice

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

To assist the Directors to discharge their duties and responsibilities and to enable them to take informed decisions, the Directors are entitled to obtain independent legal, accounting or other professional advice at the Company's expense. The Board may conduct or direct any investigation to fulfill its responsibilities and can retain, at the Company's expense, any legal, accounting or other services that it considers necessary from time to time to fulfill its duties.

Strategic Board activities in 2022

In 2022, the Board provided oversight of various Company strategic priorities including:

- Roll out of a consumer centric product portfolio;
- Managing the challenges presented by the government's fiscal framework and excise policy; and
- Advocating for the government to increase enforcement action against the illicit trade in tobacco products.

Growth

Growth remains the Board's key strategic objective



Activities in 2022

- Reviewing and agreeing the Company's strategy and ensuring necessary financial and human resources are in place to meet agreed objectives;
- Satisfying itself throughout the year that Management was on track to deliver the Company's strategy, and endorsing the direction and activities proposed by Management to achieve its strategic metrics;
- Keeping the Company's trading and performance under review, particularly the performance of the Company's key local brand, Rothmans, and the Global Drive Strategic Brands;
- Continuing the Company's transformational journey to build "A Better Tomorrow™" by reducing the health impact of the Company's business;
- Relaunching Velo;
- Focusing on the competitive and external environment by engaging government through the public consultation process on a sustainable excise framework and advocating for increased enforcement action to tackle illicit trade in cigarettes;
- Considering the potential impact on the Business of specific risk factors in consultation with the Audit and Risk Committee; and
- Discussing & improving the Board's understanding of key risks facing the Company.

Productivity

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



Activities in 2022

- Monitoring operational key performance indicators;
- Continued roll-out of the Integrated Work System (IWS) to drive operational excellence and quality;
- Review of revenue opportunities from export products and cutrag sales;
- Continued oversight of EHS at both Nairobi and Thika factories; and
- Identifying and leveraging savings and productivity opportunities.

Strategic Board activities in 2022 (continued)

Sustainability

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



Activities in 2022

- 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 Environmental, Social and Governance (ESG) pillars;
- Partnering with farmers to drive increased farmer revenue, sustainable crop and health insurance schemes as well as mitigating the environmental impacts of our business through afforestation;
- Employee participation in local community development; and
- Monitoring compliance with the Company's Standards of Business Conduct and internal controls.

Purposeful organisation

In July 2022, the Company held the Chairperson's stakeholder luncheon. Setting the 'tone from the top' to help embed the values and strategy of the Company continues to be an important part of the Board's role.



Activities in 2022

- Reviewing succession planning at Board Level, filling arising vacancies and monitoring the progress of Leadership Team development plans;
- Reviewing the development of senior executives in the Company, specifically activities to drive a high-performance leadership culture;
- Receiving updates on opportunities for talent export to senior roles in BAT across the globe;
- Receiving updates on the ability to attract and retain talent and factoring this into consideration in the revised talent and remuneration policies; and
- Supporting "A Better Tomorrow™" strategy.

Board committees

The Board has delegated authority to various Board committees to be able to undertake its mandate effectively and efficiently. In deciding committee memberships, the Chairperson endeavors to make the best use of the range of skills across the Board and share responsibility. The Board receives a report from the Chairperson of each committee on significant areas of discussion and key decisions at the subsequent Board meeting.

Each committee has in place terms of reference that sets out the roles and responsibilities and the procedural rules that apply to the committee.

A summary of the role of the current committees, current members and key activities undertaken during the year 2022 are set out below:

Nominations and Governance Committee

Mandate and role

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

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

Board committees (continued)

Non-Executive and Executive Directors ratios are maintained.

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

Current members

- » Rita Kavashe (Chairperson)
- » Peter Mwangi
- » Dr. Macharia Irungu
- » Andre Joubert

Committee secretary: Kathyryne Maundu

Permanent invitees:

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

Attendance at meetings in 2022:

Name	17.03.2022	18.07.2022
Rita Kavashe	✓	✓
Peter Mwangi	✓	✓
Dr. Macharia Irungu	✓	✓
Andre Joubert	✓	✓
Kathyryne Maundu (Secretary)	✓	✓

Key Nominations and Governance Committee activities in 2022

- Reviewing succession planning for the Board and the Leadership Team including appointment of emergency alternates for the following key Board roles: Board Chairperson, Board Committee Chairs and Company Secretary;
- Review of the ESG mandate of the Committee as approved by the Board;
- Review of the proposed Training calendar for the Board as part of continuous board development;
- Directors' annual appointment and re-election at the AGM, including renewal of the appointment of various Directors;
- Reviewing the effectiveness of the Board and its Committees following the Board Evaluation exercise and making recommendations to the Board on actions to be adopted towards improvement;
- Reviewing the effectiveness of the governance structure following an independent governance audit and following up on completion of open audit actions by Management and Committees;
- Assessment and confirmation of the current adequacy of the Board with respect to the balance of skills, expertise, knowledge, age and diversity including gender and nationality;
- Assessment of Directors' independence and submitting a report on Directors' independence to the Board;
- Reviewing the Corporate Governance Report;
- Review of various Policy documents including the Board Appointment Policy and Board Diversity Policy;
- Oversight of CMA Corporate Governance Compliance Reporting requirements; and
- Review of the Nominations and Governance Committee's Terms of Reference.

Remuneration Committee

Mandate and role

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

The Remuneration Committee is responsible for:

- ensuring that all aspects of the Company's remuneration offering are sufficiently competitive to attract and retain the desired talent pool, comply with the BAT Group's reward policy and position the Company as an employer of choice;
- setting executive remuneration policies covering salary and benefits, performance-based variable rewards, pensions, and the terms of service contracts;
- determining, within the terms of the agreed remuneration policy the specific remuneration packages for the Chairperson, the Executive Directors and the Non-Executive Directors, both on appointment and on review;
- the setting of targets applicable to the Company's performance-based variable reward schemes and determining achievement against those targets, exercising discretion where appropriate and as provided by the applicable scheme rules and policy;
- reviewing and oversight of the people culture against set metrics;

Board committees (continued)

- 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.

Current members

- » Peter Mwangi (Chairperson)
- » Carol Musyoka
- » Marion Gathoga-Mwangi
- » Crispin Achola
- » Philemon Kipkemoi

Committee secretary: Lucy Evara

Permanent invitee:

- Kathryne Maundu (Company Secretary)

Attendance to Committee meetings in 2022:

Name	03.02.2022	14.09.2022
Peter Mwangi	✓	✓
Carol Musyoka	✓	✓
Marion Gathoga-Mwangi*	-	✓
Crispin Achola	✓	✓
Philemon Kipkemoi	✓	✓
Lucy Evara (Committee Secretary)	✓	✓

* Marion Gathoga-Mwangi was appointed to the Committee on 19 July 2022.

Key Remuneration Committee activities in 2022

- HR strategy, culture and people plans;
- The organisational design of the company;
- Pay strategy and salary reviews;
- Talent insights – joiners, movers and leavers;
- Diversity and inclusion plans;
- Collective bargaining agreement negotiations; and
- A review of the terms of reference of the committee.

Audit and Risk Committee

Mandate and role

The Audit and Risk 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. The Audit and Risk Committee monitors the integrity of the Financial Statements and any formal announcements relating to the Company's performance; reviews the consistency of the accounting policies and systems applied by the Company and, when appropriate, makes recommendations to the Board on business risks, internal controls and compliance.

The Committee is also responsible for monitoring compliance with the Company's Standards of Business Conduct, applicable laws and regulations and monitoring and reviewing the performance, effectiveness, independence and objectivity of the Company's external auditors. The Audit and Risk Committee makes recommendations as to the external Auditor's reappointment/change, terms of engagement and the level of audit fees payable to them.

The Audit and Risk Committee has established and maintains an appropriate and transparent relationship with the external auditor who attends each meeting and is heard on any matter raised.

The Committee is also responsible for monitoring and reviewing the effectiveness of the internal audit function and recommending changes to 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 and updates on ongoing and completed audits.

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

Current members

- » Dr. Martin Oduor-Otieno (Chairperson)
- » Carol Musyoka
- » Samuel Onyango
- » Marion Gathoga-Mwangi

Committee secretary: Kathryne Maundu

Permanent invitees:

- Crispin Achola (Managing Director)
- Philemon Kipkemoi (Finance Director)
- William Elliott (Head of Legal)

Board committees (continued)

- Connie Anyika (Head of External Affairs)
- Aurelian Panfile* (Internal Auditor)
- Radu Eleanor-Samoila** (Internal Auditor)

Attendance to Committee meetings in 2022:

Name	16.02 2022	18.07 2022	22.11 2022
Dr. Martin Oduor-Otieno	✓	✓	✓
Carol Musyoka	✓	✓	✓
Samuel Onyango	✓	✓	✓
Marion Gathoga-Mwangi	✓	✓	✓
Kathryne Maundu (Committee Secretary)	✓	✓	✓

The following changes occurred in 2022:

* Aurelian Panfile resigned as internal auditor in October 2022.

** Radu Samoila was appointed as internal auditor in November 2022.

Key Audit and Risk Committee activities in 2022

The following items were considered by the Committee:

- The Company's 2021 full year and 2022 half year financial results;
- The external auditor's report and 2022 external auditor's work plan;
- Progress on closure of 2021 internal audit open actions and proposed 2022 internal audit plan;
- Updates from the Internal Audit Manager on both local and global process audits, the Management responses and plans being put in place to address any concerns raised;
- Updates on the quarterly risk heat map, including deep dives into specific risk topics;
- Quarterly reports on security risks, frauds and any resultant losses;
- Updates on regulatory developments, corporate social investment matters, significant legal cases, and Environment, Health and Safety issues;
- Reports on compliance with the Company's Standards of Business Conduct, any whistleblowing received and investigations into potential breaches;
- Annual review of the external auditor's effectiveness and independence;
- Preparation of the Company's Risk Appetite Statement;
- Progress of actions arising from the 2020 and 2021 Legal and Compliance Audits;

- Progress of actions arising from the 2022 Governance Audit;
- Progress of actions arising from the 2022 Board Evaluation;
- Review and assessing compliance with the CMA Corporate Governance Practices for Issuers of Securities to the Public, 2015;
- Review of the internal audit actions and follow up closure of open items with management; and
- Review of its Terms of Reference to be in line with best practice.

Financial and business reporting

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

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

Risk management and internal control

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

The Committee 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 in relation to each risk and all identified risks are assessed at three levels (high/medium/low) by reference to their impact to the business and likelihood of occurring. Mitigation plans are put in place to manage the risks identified and the risk registers are reviewed on a regular basis and at each Audit and Risk Committee meeting.

In compliance with BAT Group best practice in risk management, the Company also completes a checklist annually known as the Control Navigator. The Control Navigator tool enables a self-assessment into the

Board committees (continued)

internal control environment, assist in identifying any controls which require strengthening and set out monitoring action plans to address the control weaknesses. The checklist is reviewed annually to ensure that it remains relevant to the business and covers all applicable key controls.

In 2022, an internal audit was carried out covering compliance with the Company's contract management policy, anti-financial crime procedure, Standards of Business Conduct and International Marketing Principles (Youth Access Prevention), among other policies and procedures. The Company received a satisfactory rating and the Board, through the Committee continues to review the areas for improvement as recommended by the internal auditor.

The Board, with the advice from the Audit and Risk Committee, has completed its annual review of the effectiveness of the risk management framework and internal controls for the period since 1 January 2022. No significant failings or weaknesses were identified, and the Board is satisfied that, where specific areas for improvement have been identified, processes are in place to ensure that the necessary remedial action is taken and that progress is monitored.

External Auditor

KPMG Kenya is the Company's external auditor. The Audit and Risk Committee considers that its relationship with the auditor worked well during the period and was satisfied with their effectiveness. The external auditor is required to rotate the audit partner responsible for the Company's audit at least every five years. There were changes to the lead audit partner and the current lead audit partner was appointed on 22 November 2022.

Standards of Business Conduct

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

The SoBC also sets out the BAT Group's whistleblowing policy, which enables employees, directors and third parties, to raise concerns in confidence and without fear of reprisal, about possible improprieties in financial and other matters. All whistleblowing incidents are tabled at the Audit and Risk Committee and procedures implemented to ensure independent investigation and appropriate follow-up actions. As part of educating employees further on various aspects of the SoBC, the Company held a series of mandatory trainings for all staff on Respect in the Workplace and Speak Up, where employees were reminded of the Company's expectation in respect of how all employees should treat their colleagues and the various avenues through which they can raise any concerns they have about possible breaches of the SOBC.

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

Governance policies

Board Charter

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

Statement on Insider Dealing

As a listed company, BAT Kenya is obliged under the Companies Act, 2015 to require that the Directors and certain other employees with inside information do not abuse or place themselves under suspicion of abusing insider information that they may have or be thought to have. This is especially so in periods leading up to an announcement of financial results. To this end, the Company has a Code of Share Dealing policy document, which sets out the requirements for BAT Kenya insiders, in dealing in shares of the Company. To ensure compliance with the Companies Act, 2015, in this regard, the Company communicates 'open' and 'closed' periods for trading in its shares to its employees and the Directors twice annually. To the best of the Company's knowledge, there was no insider dealing in the BAT Kenya 2022 financial year.

Governance policies (continued)

Whistleblowing (or Speak-up) Policy

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

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

Dispute Resolution Policy

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

Data Protection Policy

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

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

Information Technology Policy

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

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

Procurement Policy

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

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

Environmental, Health and Safety Policies

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

The Company also maintains an Energy Management Policy, aimed at achieving the highest practicable levels of energy conservation, water conservation and reducing CO₂ emissions, for the conservation of the environment and the sustainability of natural resources.

The Company has put in place conservation initiatives that help farmers preserve natural forests through diverse afforestation programmes to replenish depleted resources in the country.

Corporate Social Investment (CSI) and Responsibility

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

- a) Creating long-term shareholder 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.

The CSI strategy is derived from our belief in adding value to the communities in which we operate. Our CSI framework focuses on sustainable agriculture, environmental conservation and women empowerment. The above policies and statements can be accessed at www.batkenya.com.

Governance policies (continued)

Engagement with shareholders

The Board recognises the importance of maintaining transparency and accountability to our shareholders and investors and works to ensure that all shareholders are treated equitably, and their rights are protected.

To enhance the Company's facilitation of shareholders to exercise their rights effectively more so on the shareholders' rights on nominations, Section 106 of the Company's Articles of Association provides that the shareholder can nominate a person for election to the office of Director at any general meeting as long as not less than three (3) nor more than twenty-one (21) days before the date appointed for the meeting, there shall have been left at the office of the Company, notice in writing, signed by a member duly qualified to attend and vote at the time meeting for which such notice is given, of his intention to propose such person for election, and also notice in writing signed by that person of his willingness to be elected.

The Company employs diverse channels and mechanisms to communicate and disseminate information to its various stakeholders, including shareholders. These channels and mechanisms include collection of investor feedback and communication via the investor relations function, financial information on the Company is made available on the Company's website in a timely manner and financial results are provided on a quarterly basis in national publications.

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

The Company recognizes the importance of shareholder participation in meetings. Shareholders are strongly encouraged to attend and participate in the AGM. The Board has always placed considerable importance on effective communication with its shareholders. It ensures that the rights of shareholders are always protected.

Notice of meetings and all statutory notices and information are communicated to shareholders on time. Shareholders who are unable to attend the AGM in person are encouraged to vote on the proposed resolutions by appointing a proxy prior to the AGM.

The AGM provides an opportunity for shareholders to engage with the Company's representatives. At the meeting, a reasonable opportunity is allowed

for shareholders to ask questions about or make comments on the management of the Company.

The Company will ordinarily hold investor/analysts briefings at least twice a year to facilitate further engagement with key stakeholders from the Nairobi Securities Exchange, Capital Markets Authority and various managers representing institutional and foreign investors. The Managing Director and Finance Director are among senior management members at hand at such briefings to respond to stakeholder queries.

During the analysts calls held in February and July 2022, and the AGM held on 24 May 2022, shareholders and stakeholders were keen to hear more on, among other things, the Company's performance and strategy post the COVID-19 pandemic, the latest developments in industry regulation, dividends payable and the Company's sustainability and ESG initiatives.

All shareholders queries, application for registration of transfer of shares of the company, immobilization of shares and dividend queries as well as the collection of share certificates and dividend cheques are handled by the Company's appointed shares registrar – Image Registrars Limited. The Registrar can be reached at their offices on 5th Floor, Absa Towers (Formerly, Barclays Plaza), Loita Street, P. O. Box 9287-00100, Nairobi or through their e-mail address info@image.co.ke or BATshares@image.co.ke and also through their telephone numbers +254 709 170 000 / 709 170 030.

Restrictions on insider trading

In line with the Company's Insider Dealing Policy, directors, employees and contractors (and their associates) are prohibited from dealing with any securities and other Company-linked financial products during closed periods. They are also prohibited from passing on inside information to others who may use the inside information to trade in the Company's securities. The Company has closed periods twice a year.





Reports & Financial Statements

DIRECTORS' REPORT

The Directors submit their report together with the annual audited Financial Statements for the year ended 31 December 2022, which disclose the state of affairs of the Group and of the Company.

Principal activities

The principal activities of the Group are the manufacture and sale of tobacco products and tobacco free oral nicotine pouches.

Results and Dividend

The net profit for the year of KShs 6,891,992,000 (2021: KShs 6,483,381,000) has been added to retained earnings. During the year an interim dividend of KShs 500,000,000 (2021: KShs 350,000,000) was paid. The Directors recommend the approval of a final dividend of KShs 5,200,000,000 (2021: KShs 5,000,000,000).

Directors

The Directors who held office during the year and to the date of this report are set out on page 8.

There were no changes to the Board composition in 2022.

Business overview

Financial performance

Gross sales including indirect taxes increased by 5% to KShs 42 billion. This was primarily driven by a pricing benefit in the domestic market and higher export sales in some of our key markets.

The growth in gross sales including indirect taxes was offset by a KShs 248 million (2%) increase in Excise Duty and Value Added Tax (VAT), following inflationary increases in excise duty rates. Consequently, net revenue increased by 8% to KShs 27.4 billion.

Profit after tax improved by 6% to KShs 6.9 billion, driven by the increase in revenue, offset by higher costs due to the impact of inflation on cost base, partly offset by effective admin cost management. The growth in profitability is reflected in higher earnings per share (+6%), aligned to our commitment to deliver sustainable shareholder value.

Auditor

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

Relevant audit information

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

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

Approval of the Financial Statements

The Financial Statements set out on pages 96 to 142 were approved and authorised at a meeting of the Directors held on 16 February 2023

By order of the Board

Kathryne Maundu

Company Secretary | 16 February 2023

RIPOTI YA WAKURUGENZI

Wakurugenzi wanatoa ripoti pamoja na taarifa ya fedha zilizofanyiwa ukaguzi, za mwaka unaoisha Desemba tarehe 31 2022, inayoonyesha hali ya mambo ya kundi la kampuni na kampuni kwa jumla.

Biashara kuu ya kundi

Biashara kuu ya kundi, ni utengenezaji na uuzaji wa bidhaa za tumbaku na pochi ya nikotini isiyokuwa na tumbaku.

Matukio na gawio

Faida halisi ya mwaka ya shilingi KShs 6,891,992,000 (2021: KShs 6,483,381,000) imeongezwa kwa mapato yaliyosalia. Katika mwaka huu gawio la awali la shilingi KShs 500,000,000 (2021: KShs 350,000,000) lililipwa. Wakurugenzi wanapendekeza idhini ya gawio la mwisho la shilingi KShs 5,200,000,000 (2021: KShs 5,000,000,000).

Wakurugenzi

Wakurugenzi waliokuwa afsini katika mwaka hadi mwisho wa ripoti hii wameonyeshwa katika ukurasa wa 8.

Hakukuwa na mabadiliko ya Bodi katika mwaka wa 2022.

Muhtasari wa biashara

Matokeo ya kifedha

Mauzo kamili ikiwemo ushuru usio wa moja kwa moja, yaliongezeka kwa 5% hadi KShs bilioni 42. Hii ilichangiwa sana na faida za bei katika soko la ndani, na uuzaji wa juu katika soko za kimataifa, baadhi ya masoko yetu muhimu.

Ongezeko katika mauzo kamili ikiwemo ushuru usio wa moja kwa moja, lilizuiliwa na ongezeko la KShs milioni 248 (2%) katika Ushuru wa Bidhaa na Ushuru wa Ongezeko ya Thamani (VAT), ikifuatilia ongezeko la bei za bidhaa, baada ya ongezeko wa Ushuru wa Bidhaa. Kwa hivyo, mapato ya mwisho ya fedha yaliongezeka kwa 8% hadi KShs bilioni 27.4.

Faida baada ya ushuru iliboreshwa kwa 6% hadi KShs bilioni 6.9. Ilichangiwa na ongezeko la mapato ya fedha, ikizuiliwa na gharama kubwa ya biashara kutokana na athari ya mfumuko wa bei za bidhaa, kwa sehemu iliyoziuliwa na usimamizi bora wa gharama za utawala. Ukuaji katika faida unadhihirishwa katika ongezeko la faida kwa kila hisa (+6%), inayolingana na ahadi yetu ya kutoa thamani endelevu kwa wanahisa.

Mkaguzi

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

Ujumbe unaostahili wa ukaguzi

Wakurugenzi waliokuwa katika afisi hadi tarehe ya ripoti hii, wanathibitisha kuwa:

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

Kuidhinishwa kwa taarifa za kifedha

Taarifa za kifedha katika kurasa 96 hadi 142 zilithibitishwa na kuidhinishwa katika mkutano wa wakurugenzi uliofanyika tarehe 16 Februari 2023.

Kwa amri ya Bodi

Kathryne Maundu

Katibu wa Kampuni | 16 Februari 2023

DIRECTORS' REMUNERATION REPORT

Information not subject to audit

Our Remuneration Policy 2022

The Remuneration Policy and Remuneration Report for the Executive Directors and the Non-Executive Directors applicable in 2022 were approved by shareholders at the 2022 Annual General Meeting held on 24 May 2022. The report has been prepared in accordance with the relevant provisions of both the CMA Code of Corporate Governance guidelines on Directors' remuneration and the Kenyan Companies Act, 2015.

Our principles of remuneration

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

Executive Directors

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

We have summarised the key elements below to facilitate the understanding of the Directors' Remuneration Report. The table below summarized the main elements of the remuneration packages of the Executive Directors as compensation for their role as key management within the BAT Group.

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

DIRECTORS' REMUNERATION REPORT (continued)

Reward	Purpose and link to strategy	Mechanics of reward	Performance metrics
Short term Incentives	Incentivise the attainment of corporate targets aligned to the strategic objectives of the Group on an annual basis.	- Targets are set annually based on the group and company business plans. - Payout is done annually in March after measurements and approval of results. 60% of the bonus is paid in cash, 40% is awarded as shares in the Parent Company (BAT plc) - Bonus ranges from 0-110% of annual Salary for Managing Director, 0-90% for Finance Director	- Volume share growth- 10% (2021: 10%) - New Categories Revenue -15% (2021: 30%) - New Categories Contribution Improvement 20% (2021: nil) - Adjusted Profit From Operations - 25% (2021: 30%) - Adjusted Cash Generated from Operations - 30% (2021: 20%)
Long term Incentives	Incentivise and promote the long-term sustainable success of the Group.	- Targets are set covering a three-year period for BAT Group UK results. - The award vests on the third anniversary of the award, - The number of shares that ultimately vest will depend on the extent that the performance conditions of the BAT Group (UK) have been met during the three-year performance period	- Earnings per share (EPS), - Total share-holder return (TSR), - Net Turnover and - Cash conversion

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

Chairperson and Non-Executive Directors

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

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

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

DIRECTORS' REMUNERATION REPORT (continued)

Other terms – Non-Executive Directors

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

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

Service contracts – Executive Directors

Duration of current contracts	The Managing Director and Finance Director are on permanent and pensionable contracts with the following execution dates:
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Executive Director	Execution date	End date
Philemon Kipkemoi	28-May-20	-
Crispin Achola	01-Jan-21	-

Notice period	
Executive Director	Notice period
Philemon Kipkemoi	3 months
Crispin Achola	6 months

Provision for early termination of contracts	On early termination of contracts, the executive directors are eligible for redundancy packages as follows: 1 Month salary in lieu of notice 2 Months' salary 4 Days' worth of salary for every month worked In the event that the contract is terminated for cause (such as gross misconduct), the Company may terminate the contract with immediate effect and no compensation would be payable.
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Information subject to audit

Directors' remuneration and compensation as key management for the year ended 31 December 2022

The following table shows a summary of remuneration for the Executive Directors in respect of qualifying services as directors and compensation as key management for the year ended 31 December 2022 together with comparative figures for 2021:

	Salary		Taxable benefits		Short-term incentives		Long-term incentives		Pension		Total	
	KShs' 000		KShs' 000		KShs' 000		KShs' 000		KShs' 000		KShs' 000	
Executive Director	2022	2021	2022	2021	2022	2021	2022	2021	2022	2021	2022	2021
Crispin Achola	13,600	13,061	3,633	3,072	9,588	2,211	5,094	-	1,224	588	33,139	18,932
Philemon Kipkemoi	9,028	8,380	2,357	1,816	3,894	3,086	2,952	3,087	812	754	19,043	17,123
Total remuneration	22,628	21,441	5,990	4,888	13,482	5,297	8,046	3,087	2,036	1,342	52,182	36,055

In the year 2022, as part of their compensation as key management, the Executive Directors were awarded shares in the parent company, BAT Group (UK). Crispin Achola was awarded nil shares (2021: nil shares), and Philemon Kipkemoi was awarded 289 shares (2021: 289). The values of these shares have been included in the table above under Long-term incentives.

DIRECTORS' REMUNERATION REPORT (continued)

The following table shows a summary of remuneration for the Non-Executive Directors in respect of qualifying services for the year ended 31 December 2022 together with comparative figures for 2021:

Non-Executive Directors	Fixed retainer		Sitting allowance		Chairperson's honoraria		Total	
	KShs' 000		KShs' 000		KShs' 000		KShs' 000	
Name	2022	2021	2022	2021	2022	2021	2022	2021
Carol Musyoka	2,617	2,585	347	342	-	-	2,964	2,927
Marion Gathoga-Mwangi	2,617	2,585	284	281	-	-	2,901	2,866
Peter Mwangi	2,617	2,585	315	311	-	-	2,932	2,896
Dr. Martin Oduor-Otieno	2,617	2,585	252	281	-	-	2,869	2,866
Dr. Macharia Irungu	2,617	2,585	221	218	-	-	2,838	2,803
Onyango Samuel Oketch	2,617	2,585	284	281	-	-	2,901	2,866
Rita Kavashe	4,211	4,161	378	249	2,500	833	7,089	5,243
Total remuneration	19,913	19,671	2,081	1,963	2,500	833	24,494	22,467

Other required disclosures

Information subject to audit

Payments to former Directors and payments for loss of office

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

Voting on the Remuneration Report at the 2022 AGM and engagement with shareholders

During the 2021 AGM held on 24 May 2022, there were no votes cast against or votes held with respect to the Directors' remuneration policy and report.

Director's shareholding

Director's shareholding in British American Tobacco Kenya plc as at 31 December 2022 is as follows:

Director	2022	2021
Sidney Wafula	300	300
Carol Musyoka	200	200
Marion Gathoga-Mwangi	671	-

By order of the Board

Kathryne Maundu

Company Secretary | 16 February 2023

STATEMENT OF DIRECTORS' RESPONSIBILITIES

The Directors are responsible for the preparation and presentation of the Financial Statements of British American Tobacco Kenya plc set out on pages 96 to 142 which comprise the consolidated and company statements of financial position as at 31 December 2022, the consolidated statement of profit or loss and other comprehensive income, consolidated and company statements of changes in equity and consolidated and company statements of cash flows for year then ended, and notes to the Financial Statements including a summary of significant accounting policies and other explanatory information.

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

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

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

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

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

Approval of the Financial Statements

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

Rita Kavashe
Chairperson

Crispin Achola
Managing Director

Philemon Kipkemoi
Finance Director

16 February 2023

INDEPENDENT AUDITOR'S REPORT

To the members of British American Tobacco Kenya plc

REPORT ON THE AUDIT OF THE CONSOLIDATED AND SEPARATE FINANCIAL STATEMENTS

Opinion

We have audited the consolidated and separate Financial Statements of British American Tobacco Kenya plc (the Group and the Company) set out on pages 96 to 142 which comprise the consolidated and company statements of financial position as at 31 December 2022, and the consolidated statement of profit or loss and other comprehensive income, consolidated and company statements of changes in equity and consolidated and company statements of cash flows for the year then ended, and notes to the consolidated and separate Financial Statements, including a summary of significant accounting policies.

In our opinion, the accompanying consolidated and separate Financial Statements give a true and fair view of the consolidated and separate financial position of British American Tobacco Kenya plc as at 31 December 2022, and of its consolidated financial performance and its consolidated and separate cash flows for the year then ended in accordance with IFRS Standards as issued by the International Accounting Standards Board (IFRS Standards) and in the manner required by the Kenyan Companies Act, 2015.

Basis for opinion

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

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

Key audit matters

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

Provisions and contingent liabilities in respect of litigations

The Group and Company are subject to claims, which could have an impact on the Group's and the Company's results

if the potential exposures were to materialise. The Directors apply judgment when considering whether, and how much, to provide for the potential exposure of each litigation. We focused on this area given the complexity and judgment necessary to determine whether to provide for, how much to provide for, disclose or not disclose certain exposures.

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

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

We obtained external legal confirmations to corroborate management's assessment for all significant litigations and the basis used for the provisions recorded or disclosures made by the Group and Company. Where provisions were not required, we also considered the adequacy and completeness of the Group's and Company's disclosures made in relation to contingent liabilities. These are contained in accounting policy Note 4 (i) – Critical accounting estimates and judgments and disclosure Note 33 - Contingent liabilities.

Other information

The Directors are responsible for the other information. The other information comprises the *Directors and statutory information, Directors' Report, the Directors' Remuneration Report and the Statement of Directors' Responsibilities* but does not include the consolidated and separate Financial Statements and the Auditor's Report thereon, which we obtained prior to the date of this auditor's report, and the other information to be included in the published *Annual Report and Financial Statements for the year ended 31 December 2022*, which is expected to be made available to us after that date.

Our opinion on the consolidated and separate Financial Statements does not cover the other information and we do not and will not express any form of assurance conclusion thereon, other than that prescribed by the Kenyan Companies Act, 2015 as set out below.

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

If, based on the work we have performed on the other information that we have obtained prior to the date of

INDEPENDENT AUDITOR'S REPORT (continued)

this Auditor's Report, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Directors' responsibilities for the consolidated and separate Financial Statements

The Directors are responsible for the preparation of the consolidated and separate Financial Statements that give a true and fair view in accordance with IFRS Standards and in the manner required by the Kenyan Companies Act, 2015, and for such internal control as the Directors determine is necessary to enable the preparation of consolidated and separate Financial Statements that are free from material misstatement, whether due to fraud or error.

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

Auditor's responsibilities for the audit of the consolidated and separate Financial Statements

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

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

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

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

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

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

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

INDEPENDENT AUDITOR'S REPORT (continued)

Report on other legal and regulatory requirements

As required by the Kenyan Companies Act, 2015 we report to you, solely based on our audit of the consolidated and separate Financial Statements, that in our opinion:

- (i) the information given in the report of the Directors on pages 86 to 87 is consistent with the consolidated and separate Financial Statements; and,
- (ii) the auditable part of the Directors' Remuneration Report on pages 88 to 91 has been prepared in accordance with the requirements of the Kenyan Companies Act, 2015.

The engagement partner responsible for the audit resulting in this independent auditor's report is CPA Willis Genga practicing certificate number P/2617.

For and on behalf of

KPMG Kenya

Certified Public Accountants of Kenya
PO Box 40612-00100, Nairobi
16 February 2023

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

		Year ended 31 December	
		2022	2021
	Notes	KShs' 000	KShs' 000
Gross sales including indirect taxes		42,246,714	40,048,522
Excise duty and Value Added Tax (VAT)	6	(14,868,792)	(14,621,153)
Revenue	7	27,377,922	25,427,369
Cost of sales	8	(14,232,690)	(12,995,849)
Marketing and distribution costs	9	(1,166,405)	(1,317,108)
Administration and other expenses	10	(2,218,586)	(1,899,303)
Other income		120,110	154,526
Operating profit		9,880,351	9,369,635
Finance income/(costs)	11	32,522	(81,616)
Profit before tax	12	9,912,873	9,288,019
Income tax expense	14	(3,020,881)	(2,804,638)
Profit for the year		6,891,992	6,483,381
Other comprehensive income			
Items that will not be reclassified to profit or loss			
Gain on revaluation of property plant and equipment		-	1,150,306
Items that may be reclassified to profit or loss			
Net fair value gain/(loss)		15,587	(15,383)
Total comprehensive income for the year		6,907,579	7,618,304
Earnings per share:			
Basic and diluted earnings per share (KShs)	15	68.92	64.83

The notes on pages 105 to 142 are an integral part of these Financial Statements.

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

		At 31 December	
		2022	2021
Capital and reserves attributable to the company's equity holders	Notes	KShs' 000	KShs' 000
Share capital	17	1,000,000	1,000,000
Share premium	17	23	23
Other reserves	17	204	-15,383
Revaluation surplus	18	2,799,711	2,837,183
Retained earnings		7,382,009	6,152,545
Proposed dividend	16	5,200,000	5,000,000
Total equity		16,381,947	14,974,368
Non-current liabilities			
Borrowings	27	13,544	19,665
Deferred income tax	19	2,070,569	1,919,075
Total non-current liabilities		2,084,113	1,938,740
Total equity and non-current liabilities		18,466,060	16,913,108
Non-current assets			
Property, plant and equipment	20(a)	11,935,486	12,115,009
Deferred income tax	19	160,336	190,046
		12,095,822	12,305,055
Current assets			
Inventories	22	3,631,737	3,859,637
Current income tax	28	512,962	535,157
Receivables and prepayments	23	5,034,078	4,367,078
Derivative financial instruments	24	2,772	23,136
Cash and cash equivalents	25	2,368,003	3,028,755
Assets held for sale	20(b)	301,670	-
		11,851,222	11,813,763
Current liabilities			
Payables and accrued expenses	26	5,064,163	5,770,302
Borrowings	27	22,716	20,313
Derivative financial instruments	24	4,848	32,498
Current income tax	28	-	703,130
Provisions for liabilities and charges	30	389,257	679,467
Total current liabilities		5,480,984	7,205,710
Net current assets		6,370,238	4,608,053
Total assets less current liabilities		18,466,060	16,913,108

The notes on pages 105 to 142 are an integral part of these Financial Statements. The Financial Statements on pages 96 to 104 were approved and authorised for issue by the Board of Directors on 17 February 2023 and signed on its behalf by:

Rita Kavashe
Chairperson

Crispin Achola
Managing Director

Philemon Kipkemoi
Finance Director

COMPANY STATEMENT OF FINANCIAL POSITION

		At 31 December	
	Notes	2022 KShs' 000	2021 KShs' 000
Capital and reserves attributable to the Company's equity holders			
Share capital	17	1,000,000	1,000,000
Share premium	17	23	23
Hedging reserve	17	204	(15,383)
Revaluation surplus	18	2,799,711	2,837,183
Retained earnings		7,382,009	6,152,545
Proposed dividend	16	5,200,000	5,000,000
Total equity		16,381,947	14,974,368
Non-current liabilities			
Borrowings	27	6,479	19,665
Deferred income tax	19	2,070,569	1,919,075
Total non-current liabilities		2,077,048	1,938,740
Total equity and non-current liabilities		18,458,995	16,913,108
Non-current assets			
Property, plant and equipment	20(a)	10,436,532	10,605,134
Investment in subsidiaries	21	12,000	12,000
		10,448,532	10,617,134
Current assets			
Inventories	22	3,555,366	3,799,034
Current income tax	28	451,098	535,157
Receivables and prepayments	23	5,800,579	3,583,259
Derivative financial instruments	24	2,772	23,136
Cash and cash equivalents	25	2,367,962	3,028,738
Assets held for sale	20(b)	301,670	-
		12,479,447	10,969,324
Current liabilities			
Payables and accrued expenses	26	4,053,376	3,942,378
Borrowings	27	21,503	19,007
Derivative financial instruments	24	4,848	32,498
Provisions for liabilities and charges	30	389,257	679,467
		4,468,984	4,673,350
Net current assets		8,010,463	6,295,974
Total assets less current liabilities		18,458,995	16,913,108

The notes on pages 105 to 142 are an integral part of these Financial Statements. The Financial Statements on pages 96 to 104 were approved and authorised for issue by the Board of Directors on 17 February 2023 and signed on its behalf by:

Rita Kavashe
Chairperson

Crispin Achola
Managing Director

Philemon Kipkemai
Finance Director

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

		Share capital	Share premium	Hedging reserve	Revaluation surplus	Retained earnings	Proposed dividends	Total equity
Year ended 31 December 2022	Notes	KShs' 000	KShs' 000	KShs' 000	KShs' 000	KShs' 000	KShs' 000	KShs' 000
Balance as at 1 January 2022		1,000,000	23	(15,383)	2,837,183	6,152,545	5,000,000	14,974,368
Comprehensive income for the year								
Profit for the year		-	-	-	-	6,891,992	-	6,891,992
Transfer of excess depreciation	14	-	-	-	(53,531)	53,531	-	-
Deferred income tax on transfer	14	-	-	-	16,059	(16,059)	-	-
					(37,472)	37,472		
Hedge fair value gain through P&L		-	-	22,268	-	-	-	22,268
Hedge fair value (loss) through OCI		-	-	-	-	-	-	-
Deferred tax in respect of fair value gain through OCI		-	-	(6,681)	-	-	-	(6,681)
		-	-	15,587	-	-	-	15,587
Transactions with owners								
Distribution to owners (dividends):								
- Final for 2021 paid	16	-	-	-	-	-	(5,000,000)	(5,000,000)
- Interim for 2022 paid	16	-	-	-	-	(500,000)	-	(500,000)
- Proposed final for 2022	16	-	-	-	-	(5,200,000)	5,200,000	-
Total transactions with owners		-	-	-	-	(5,700,000)	200,000	(5,500,000)
At end of year		1,000,000	23	204	2,799,711	7,382,009	5,200,000	16,381,947

The notes on pages 105 to 142 are an integral part of these Financial Statements.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY (continued)

		Share capital	Share premium	Hedging reserve	Revaluation surplus	Retained earnings	Proposed dividends	Total equity
Year ended 31 December 2021	Notes	KShs' 000	KShs' 000	KShs' 000	KShs' 000	KShs' 000	KShs' 000	KShs' 000
Balance as at 1 January 2021		1,000,000	23	-	1,726,977	4,979,065	4,150,000	11,856,065
Comprehensive income for the year								
Profit for the year		-	-	-	-	6,483,381		6,483,381
Transfer of excess depreciation	14	-	-		(57,285)	57,285		-
Deferred income tax on transfer	14	-	-		17,185	(17,185)		-
					(40,100)	40,100		-
Fair value gain on revaluation of land and buildings		-	-	-	1,643,295	-		1,643,295
Deferred tax on fair value gain on revaluation of land and buildings		-	-	-	(492,989)	-		(492,989)
					1,150,306			1,150,306
Hedge fair value (loss) through P&L		-	-	(7,791)	-	-		(7,791)
Hedge fair value (loss) through OCI				(10,846)				(10,846)
Deferred tax in respect of fair value (loss) through OCI		-	-	3,254	-	-		3,254
		-	-	(15,383)	-	-		(15,383)
Transactions with owners								
Distribution to owners (dividends):								
- Final for 2020 paid	16	-	-	-	-	(4,150,000)		(4,150,000)
- Interim for 2021 paid	16	-	-	-	-	(350,000)	-	(350,000)
- Proposed final for 2021	16	-	-	-	-	(5,000,000)	5,000,000	-
Total transactions with owners		-	-	-	-	(5,350,000)	850,000	(4,500,000)
At end of year		1,000,000	23	(15,383)	2,837,183	6,152,545	5,000,000	14,974,368

The notes on pages 105 to 142 are an integral part of these Financial Statements.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY (continued)

Year ended 31 December 2022	Notes	Share capital KShs' 000	Share premium KShs' 000	Hedging reserve KShs' 000	Revaluation surplus KShs' 000	Retained earnings KShs' 000	Proposed dividends KShs' 000	Total equity KShs' 000
Balance as at 1 January 2022		1,000,000	23	(15,383)	2,837,183	6,152,545	5,000,000	14,974,368
Comprehensive income for the year								
Profit for the year		-	-	-	-	6,891,992	-	6,891,992
Transfer of excess depreciation	14	-	-	-	(53,531)	53,531	-	-
Deferred income tax on transfer	14	-	-	-	16,059	(16,059)	-	-
		-	-	-	(37,472)	37,472	-	-
Hedge fair value gain/(loss) through P&L		-	-	-	-	-	-	-
Hedge fair value gain/(loss) through OCI		-	-	22,268	-	-	-	22,268
Deferred tax in respect of fair value gain/(loss) through OCI		-	-	(6,681)	-	-	-	(6,681)
		-	-	15,587	-	-	-	15,587
Transactions with owners								
Distribution to owners (dividends):								
- Final for 2021 paid	16	-	-	-	-	-	(5,000,000)	(5,000,000)
- Interim for 2022 paid	16	-	-	-	-	(500,000)	-	(500,000)
- Proposed final for 2022	16	-	-	-	-	(5,200,000)	5,200,000	-
Total transactions with owners		-	-	-	-	(5,700,000)	-	(5,500,000)
At end of year		1,000,000	23	204	2,799,711	7,382,009	5,200,000	16,381,947

The notes on pages 105 to 142 are an integral part of these Financial Statements.

COMPANY STATEMENT OF CHANGES IN EQUITY (continued)

		Share capital	Share premium	Hedging reserve	Revaluation surplus	Retained earnings	Proposed dividends	Total equity
Year ended 31 December 2021	Notes	KShs' 000	KShs' 000	KShs' 000	KShs' 000	KShs' 000	KShs' 000	KShs' 000
Balance as at 1 January 2021		1,000,000	23	-	1,726,977	4,979,065	4,150,000	11,856,065
Comprehensive income for the year								
Profit for the year		-	-	-	-	6,483,380	-	6,483,380
Transfer of excess depreciation	14	-	-	-	(57,285)	57,285	-	-
Deferred income tax on transfer	14	-	-	-	17,185	(17,185)	-	-
		-	-	-	(40,100)	40,100	-	-
Fair value gain on revaluation of land and buildings		-	-	-	1,643,295	-	-	1,643,295
Deferred tax on fair value gain on revaluation of land and buildings		-	-	-	(492,989)	-	-	(492,989)
		-	-	-	1,150,306	-	-	1,150,306
Hedge fair value (loss) through P&L		-	-	(7,791)	-	-	-	(7,791)
Hedge fair value (loss) through OCI		-	-	(10,846)	-	-	-	(10,846)
Deferred tax in respect of fair value (loss) through OCI		-	-	3,254	-	-	-	3,254
		-	-	(15,383)	-	-	-	(15,383)
Transactions with owners								
Distribution to owners (dividends):								
- Final for 2020 paid	16	-	-	-	-	(4,150,000)	(4,150,000)	
- Interim for 2021 paid	16	-	-	-	-	(350,000)	-	(350,000)
- Proposed final for 2021	16	-	-	-	-	(5,000,000)	5,000,000	-
Total transactions with owners		-	-	-	-	(5,350,000)	850,000	(4,500,000)
At end of year		1,000,000	23	(15,383)	2,837,183	6,152,545	5,000,000	14,974,368

The notes on pages 105 to 142 are an integral part of these Financial Statements.

CONSOLIDATED STATEMENT OF CASH FLOWS

	Notes	Year ended 31 December	
		2022	2021
		KShs' 000	KShs' 000
Cash flows from operating activities			
Cash generated from operations	31	9,205,037	8,571,343
Interest received	11	20,487	3,791
Interest paid	11	(79,446)	(105,356)
Income tax paid	28	(3,527,293)	(2,234,312)
Net cash generated from operating activities		5,618,784	6,235,466
Cash flows from investing activities			
Purchase of property, plant and equipment	20	(751,502)	(570,114)
Net cash used in investing activities		(751,502)	(570,114)
Cash flows from financing activities			
Dividends paid to the company shareholders	16	(5,500,000)	(4,500,000)
Payment of principal portion of lease liabilities	27	(28,034)	(20,989)
Net cash used in financing activities		(5,528,034)	(4,520,989)
Net movement in cash and cash equivalents		(660,752)	1,144,363
Cash and cash equivalents at beginning of year		3,028,755	1,884,392
Cash and cash equivalents at end of year	25	2,368,003	3,028,755

The notes on pages 105 to 142 are an integral part of these Financial Statements.

COMPANY STATEMENT OF CASH FLOWS

		Year ended 31 December	
		2022	2021
	Notes	KShs' 000	KShs' 000
Cash flows from operating activities			
Cash (utilised by) / generated from operations	31	(269,408)	439,196
Interest received	11	20,487	3,791
Interest paid	11	(79,389)	(105,168)
Income tax paid	28	(163,215)	(302,698)
Net cash (used in)/generated from operating activities		(491,525)	35,121
Cash flows from investing activities			
Purchase of property, plant and equipment	20	(769,896)	(561,637)
Net cash used in investing activities		(769,896)	(561,637)
Cash flows from financing activities			
Dividends received from subsidiary		6,126,005	6,191,159
Dividends paid to the company shareholders	16	(5,500,000)	(4,500,000)
Payment of lease liabilities	27	(25,360)	(20,444)
Net cash generated from financing activities		600,645	1,670,715
Net movement in cash and cash equivalents		(660,776)	1,144,199
Cash and cash equivalents at beginning of year		3,028,738	1,884,539
Cash and cash equivalents at end of year	25	2,367,962	3,028,738

The notes on pages 105 to 142 are an integral part of these Financial Statements.

NOTES

1. General information

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

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

60% of the Company is controlled by the British American Tobacco Plc incorporated in England and Wales, which is also the ultimate parent company. The Company's shares are listed on the Nairobi Securities Exchange.

The Financial Statements for the year ended 31 December 2022 comprise the Company and its subsidiary (together referred to as the "Group"). For Kenyan Companies Act, 2015 reporting purposes, the profit and loss account is represented by the statement of profit or loss and other comprehensive income and the balance sheet is represented by the statement of financial position in these Financial Statements.

2. Summary of significant accounting policies

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

(a) Basis of preparation

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

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

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

(i) New and amended standards adopted during the year

New amendments or interpretation	Effective date
- COVID-19-Related Rent Concessions beyond 30 June 2021 (Amendment to IFRS 16)	1 April 2021
- Onerous Contracts Cost of Fulfilling a Contract (Amendments to IAS 37)	1 January 2022
Annual Improvements to IFRS Standards 2018-2020	1 January 2022
Property, Plant and Equipment: Proceeds before Intended Use (Amendments to IAS 16)	1 January 2022
Reference to the Conceptual Framework (Amendments to IFRS 3)	1 January 2022

(b) New standards, amendments and interpretations

(i) New and amended standards adopted during the year

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

(ii) New standards and interpretations not yet adopted

At the date of authorisation of the Financial Statements of British American Tobacco Kenya Plc for the year ended 31 December 2022, the following Standards and Interpretations were in issue but not yet effective:

New amendments or interpretation	Effective for annual periods beginning on or after
IFRS 17 Insurance Contracts	1 January 2023
Amendments to IFRS 17	1 January 2023
Disclosure of Accounting Policies (Amendments to IAS 1 and IFRS Practice Statement 2)	1 January 2023
Definition of Accounting Estimate (Amendments to IAS 8)	1 January 2023
Deferred Tax Related to Assets and Liabilities arising from a Single Transaction - Amendments to IAS 12 Income Taxes	1 January 2023
Initial Application of IFRS 17 and IFRS 9 - Comparative Information (Amendments to IFRS 17)	1 January 2023

NOTES (continued)

2. Summary of significant accounting policies (continued)

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

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

New amendments or interpretation	Effective for annual periods beginning on or after
■ Classification of liabilities as current or non-current (Amendments to IAS 1)	1 January 2024
■ Lease Liability in a Sale and Leaseback (Amendments to IFRS 16)	1 January 2024
■ Non-current Liabilities with Covenants (Amendments to IAS 1)	1 January 2024
■ Sale or Contribution of Assets between an Investor and its Associate or Joint Venture (Amendments to IFRS 10 and IAS 28)	Available for optional adoption/ effective date deferred indefinitely

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

(c) Consolidation

(i) Subsidiaries

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

(d) Functional currency and foreign currency translation

(i) Functional and presentation currency

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

(ii) Transactions and balances

Transactions in foreign currencies during the year are converted into Kenya shillings at the exchange rate ruling at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies at the reporting date are retranslated to the functional currency at the exchange rate at that date. The

foreign currency gain or loss on monetary items is the difference between amortised cost in the functional currency at the beginning of the period, adjusted for effective interest and payments during the period, and the amortised cost in foreign currency translated at the exchange rate at the end of the period.

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

(e) Segment reporting

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

(f) Revenue recognition

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

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

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

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

(g) Property, plant and equipment

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

NOTES (continued)

2. Summary of significant accounting policies (continued)

(g) Property, plant and equipment (continued)

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

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

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

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

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

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

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

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

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

(h) Impairment of non-financial assets

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

An impairment loss is recognised if the carrying amount of an asset or its cash-generating unit exceeds its recoverable amount. A cash-generating unit is the smallest identifiable asset group that generates cash inflows that largely are independent from other assets and groups.

Impairment losses are recognised in the profit or loss. Impairment losses recognised in respect of cash-generating units are allocated first to reduce the carrying amount of any goodwill allocated to the units and then to reduce the carrying amount of the other assets in the unit (group of units) on a pro-rata basis.

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

(i) Accounting for leases

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

- (i) For lease terms of more than 12 months, the present value of the unavoidable lease payments are capitalised and shown together with property, plant and equipment;
- (ii) If lease payments are made over time, the Group also recognises a financial liability representing its obligation to make future lease payments;
- (iii) Depreciation of lease assets and interest on lease liabilities in profit or loss over the lease term; and
- (iv) The total amount of cash paid into a principal portion is presented within financing activities and interest is separately presented within operating activities in the statement of cash flows.

The Group does not recognise assets and liabilities for:

- (i) short-term leases (i.e. leases of 12 months or less), and;
- (ii) leases of low-value assets (i.e. less than KShs 500,000).

NOTES (continued)

2. Summary of significant accounting policies (continued)

(i) Accounting for leases (continued)

As a lessee

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

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

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

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

(j) Inventories

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

(k) Financial instruments

(i) Recognition and initial measurement

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

Financial assets (unless they are trade receivable without a significant financing component) and financial liabilities are initially measured at fair value. Transaction costs that are directly attributable to the acquisition or issue of financial assets and financial liabilities (other than financial assets and financial

liabilities at fair value through profit or loss) are added to or deducted from the fair value of the financial assets or financial liabilities, as appropriate, on initial recognition. Transaction costs directly attributable to the acquisition of financial assets or financial liabilities at fair value through profit or loss are recognised immediately in profit or loss. A trade receivable without a significant financing component is initially measured at the transaction price.

(ii) Classification and subsequent measurement Financial assets

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

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

(iii) Offsetting financial instruments

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

(iv) Impairment of financial assets

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

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

For financial assets carried at amortised cost (including loans and other receivables such as trade debtors), impairment losses are recognised under the "expected loss model", building up a debtors' provision/allowance account against credit losses over the life of the financial asset (including an estimate of initial

NOTES (continued)

2. Summary of significant accounting policies (continued)

(k) Financial instruments (continued)

(iv) Impairment of financial assets (continued)

credit risk), rather than the “incurred loss model” used under IAS 39, where a loss was recognised only if there was a specific event (such as default) triggering an impairment review.

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

(v) Derecognition of financial assets

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

(l) Derivative financial instruments and hedge accounting

Fair value hedges

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

Cashflow hedges

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

ineffective portion of changes in the fair value of the derivative is recognised immediately in profit or loss.

(m) Trade receivables

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

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

(n) Trade payables

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

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

(o) Share capital

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

(p) Cash and cash equivalents

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

(q) Employee benefits

Pension obligations

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

Other entitlements

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

NOTES (continued)

2. Summary of significant accounting policies (continued)

(q) Employee benefits (continued)

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

Termination benefits

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

Bonus plans

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

(r) Current and deferred income tax

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

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

Deferred income tax assets are recognised only to the extent that it is probable that future taxable profits will be available against which the temporary differences can be utilised. Deferred income tax is provided on temporary differences arising on investments in subsidiaries and

associates, except where the timing of the reversal of the temporary difference is controlled by the Group and it is probable that the temporary difference will not reverse in the foreseeable future.

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

(s) Borrowings

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

Fees paid on the establishment of loan facilities are recognised as transaction costs of the loan to the extent that it is probable that some or all of the facility will be drawn down. In this case, the fee is deferred until the draw-down occurs. To the extent there is no evidence that it is probable that some or all of the facility will be drawn down, the fee is capitalised as a pre-payment for liquidity services and amortised over the period of the facility to which it relates.

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

(t) Dividend distribution

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

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

(u) Provisions

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

NOTES (continued)

2. Summary of significant accounting policies (continued)

(u) Provisions (continued)

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

(v) Borrowing costs

General and specific borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, which are assets that necessarily take a substantial period of time to get ready for their intended use or sale, are added to the cost of those assets, until such time as the assets are substantially ready for their intended use or sale.

Investment income earned on the temporary investment of specific borrowings pending their expenditure on qualifying assets is deducted from the borrowing costs eligible for capitalisation.

All other borrowing costs are recognised in profit or loss in the period in which they are incurred.

(w) Related party transactions

The Group discloses the nature, volume and amounts outstanding at the end of each financial year from transactions with related parties, which include transactions with the directors, executive officers and Group or related companies. The related party transactions are at arm's length.

(x) Earnings per share and investments in subsidiaries

Earnings per share

Basic and diluted earnings per share (EPS) data for ordinary shares are presented in the Financial Statements. Basic EPS is calculated by dividing the profit or loss attributable to ordinary shareholders of the Group by the weighted average number of ordinary shares outstanding during the period. Diluted EPS is determined by adjusting the profit or loss attributable to ordinary shareholders and the weighted average number of ordinary shares outstanding for the effects of all dilutive potential ordinary shares, if any.

Investments in subsidiaries

Investments in subsidiaries are carried in the Company's statement of financial position at cost, less provision for impairment losses. Where, in the opinion of the directors, there has been impairment in the value of the investment, the loss is recognised as an expense in the period in which the impairment is identified. On disposal of an investment, the difference between the net

disposal proceeds and the carrying amount is charged or credited to profit or loss.

Dividends receivable from subsidiaries are recognised as income for the Company in the period in which the right to receive payments is established.

(y) Finance income and finance costs

Finance income comprises interest income on funds invested (including available-for-sale financial assets), dividend income, gains on the disposal of available-for-sale financial assets and changes in the fair value of financial assets at fair value through profit or loss. Interest income is recognised as it accrues in profit or loss, using the effective interest method. Dividend income is recognised in profit or loss on the date that the Group's right to receive payment is established, which in the case of quoted securities is the ex-dividend date.

Finance costs comprise interest expense on borrowings, unwinding of the discount on provisions, changes in the fair value of financial assets at fair value through profit or loss, impairment losses recognised on financial assets. Borrowing costs that are not directly attributable to the acquisition, construction or production of a qualifying asset are recognised in profit or loss using the effective interest method.

Foreign currency gains and losses are reported on a net basis.

3. Changes in significant accounting policy

The Group adopted a number of new standards that are effective from 1 January 2022 but they do not have a material effect on the Company's Financial Statements.

The details of the new standards are set out in Note 2(b).

4. Critical accounting estimates and judgements

Estimates and judgements are continually evaluated and are based on historical experience and other factors, including experience of future events that are believed to be reasonable under the circumstances. The Group and Company make estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, seldom equal the related actual results. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are addressed below.

(i) Provisions and contingent liabilities

The group has provisions which are set up in the ordinary course of business and are related to general liabilities to various stakeholders. The group follows the guidance of IAS 37 to determine whether a provision is required or not.

NOTES (continued)

4. Critical accounting estimates and judgements (continued)

(ii) Useful lives of property plant and equipment

Property plant and equipment are depreciated over their useful lives. The actual lives of the assets are assessed annually and may vary depending on a number of factors. Management applies judgement in determining useful lives.

(iii) Income taxes

The Company is subject to income taxes in Kenya. Significant judgment is required in determining the Company's provision for income taxes. There are many transactions and calculations for which the ultimate tax determination is uncertain during the ordinary course of business. The company recognises liabilities on the basis of amounts expected to be paid to the tax authorities. Where the final tax outcome is different from the amounts that were initially recorded, such differences will impact the income tax and deferred tax provisions in the period in which such determination is made.

5. Financial risk management

The Group and Company's activities expose them to a variety of financial risks, market risk (including currency and interest risk), credit risk and liquidity risk. The Group and Company's overall risk management programme focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on its financial performance.

Risk management is carried out by management under policies approved by the Board of Directors. Management identifies and evaluates financial risks where applicable. The Board provides written principles for overall risk management, as well as written policies covering specific areas such as foreign exchange risk, interest rate risk, credit risk, use of derivative and non-derivative financial instruments and investing excess liquidity.

(a) Market risk

(i) Foreign exchange risk

The Group and Company operate internationally and are exposed to foreign exchange risk arising from various currency exposures, primarily with respect to the US dollar, British Pound, AED and Euro. Foreign exchange risk arises from future commercial transactions and recognised assets and liabilities that are denominated in a currency that is not the entity's functional currency. The Group manages foreign exchange risk arising from future commercial transactions and recognises assets and liabilities by regularly reviewing prices and robust working capital management. The group holds forward foreign currency contracts for this purpose. Please see Note 24.

Below is a summary of the Group and Company's exposure to currency risk at their carrying amounts in Kenya shillings equivalent:

Group - 31 December 2022	USD KShs' 000	GBP KShs' 000	EUR KShs' 000	AED KShs' 000
Asset				
Receivables and prepayments	2,416,547	1,318	9,193	324,700
Cash and cash equivalents	969,924	4,634	35,676	-
	3,386,471	5,952	44,869	324,700
Liabilities				
Payables and accrued expenses	(687,339)	(17,787)	(61,125)	-
	2,699,132	(11,833)	(16,256)	324,700

NOTES (continued)

5. Financial risk management (continued)

(a) Market risk (continued)

(i) Foreign exchange risk (continued)

Group - 31 December 2021	USD KShs' 000	GBP KShs' 000	EUR KShs' 000	AED KShs' 000
Asset				
Receivables and prepayments	2,354,464	14,770	1,532	227,450
Cash and cash equivalents	631,657	12,927	19,993	-
	2,986,121	27,697	21,525	227,450

Liabilities				
Payables and accrued expenses	(713,670)	(11,465)	(97,603)	-
	(713,670)	(11,465)	(97,603)	-

Company - 31 December 2022	USD KShs' 000	GBP KShs' 000	EUR KShs' 000	AED KShs' 000
Asset				
Receivables and prepayments	2,412,352	1,319	9,193	324,700
Cash and cash equivalents	969,882	4,634	35,676	-
	3,382,234	5,953	44,869	324,700
Liabilities				
Payables and accrued expenses	(676,024)	(12,700)	(37,931)	-
	2,706,209	(6,747)	6,938	324,700

Company - 31 December 2021	USD KShs' 000	GBP KShs' 000	EUR KShs' 000	AED KShs' 000
Asset				
Receivables and prepayments	2,354,464	14,770	1,532	227,450
Cash and cash equivalents	631,637	12,927	19,993	-
	2,986,101	27,697	21,525	227,450
Liabilities				
Payables and accrued expenses	(678,298)	(10,415)	(99,451)	-
	(678,298)	(10,415)	(99,451)	-

NOTES (continued)

5. Financial risk management (continued)

(a) Market risk (continued)

(i) Foreign exchange risk (continued)

The following are the exchange rates that existed at the financial year end for the following significant currencies:

	USD KShs' 000	GBP KShs' 000	EUR KShs' 000	AED KShs' 000	ZAR KShs' 000	JPY KShs' 000
Group & Company 2022						
Average rates	117.69	145.59	124.13	28.81	7.16	1
Closing rates	123.37	148.47	131.27	33.63	7.25	0.94
Group & Company 2021						
Average rates	109.68	150.85	129.68	30.81	7.09	0.98
Closing rates	113.15	153.25	128.67	29.85	7.42	1

The following sensitivity analysis shows how profit or loss and equity would change if the market risk variables had been different at the reporting period with all other variables held constant.

Group	2022 KShs' 000	2021 KShs' 000
Currency – USD		
10% movement effect (higher/lower)	270,621	227,245
Currency – GBP		
10% movement effect (higher/lower)	(675)	1,623
Currency – EUR		
10% movement effect (higher/lower)	694	7,608
Currency – AED		
10% movement effect (higher/lower)	32,470	22,745
Currency – ZAR		
10% movement effect (higher/lower)	-	31,991
Currency – JAP		
10% movement effect (higher/lower)	(141)	959

NOTES (continued)

5. Financial risk management (continued)

(a) Market risk (continued)

(i) Foreign exchange risk (continued)

Company	2022 KShs' 000	2021 KShs' 000
Currency – USD		
10% movement effect (higher/lower)	269,913	228,327
Currency – GBP		
10% movement effect (higher/lower)	(1,184)	1,700
Currency – EUR		
10% movement effect (higher/lower)	(16,256)	7,425
Currency – AED		
10% movement effect (higher/lower)	32,469	22,745
Currency – ZAR		
10% movement effect (higher/lower)	-	31,991
Currency – JAP		
10% movement effect (higher/lower)	(141)	959

The following table shows the maturity periods for the cash flows associated with derivative financial instruments and the expected impact to profit or loss on undiscounted contractual basis. These relate to the derivative financial instruments as disclosed under Note 24.

Group	2022			2021		
Forward foreign currency contracts	Assets KShs' 000	Liabilities KShs' 000	Total KShs' 000	Assets KShs' 000	Liabilities KShs' 000	Total KShs' 000
Carrying amounts	2,772	(4,848)	(2,076)	23,136	(32,498)	(9,362)
Expected cashflows						
1-6 months	2,372	(4,848)	(2,476)	22,473	(21,682)	791
7-12 months	400	-	400	663	(10,816)	(10,153)
More than 1 year	1	-	1	-	-	-
Total	2,772	(4,848)	(2,076)	23,136	(32,498)	(9,362)

NOTES (continued)

5. Financial risk management (continued)

(a) Market risk (continued)

(i) Foreign exchange risk (continued)

Company Forward foreign currency contracts	2022			2021		
	Assets	Liabilities	Total	Assets	Liabilities	Total
	KShs' 000	KShs' 000	KShs' 000	KShs' 000	KShs' 000	KShs' 000
Carrying amounts	2,772	(4,848)	(2,076)	23,136	(32,498)	(9,362)
Expected cashflows						
1-6 months	2,372	(4,848)	(2,476)	22,473	(21,682)	791
7-12 months	-	-	-	-	-	-
More than 1 year	400	-	400	663	(10,816)	(10,153)
Total	2,772	(4,848)	(2,076)	23,136	(32,498)	(9,362)

Price risk

The Group and the Company are not exposed to equity securities price risk.

Cash flow and fair value interest rate risk

The Group and Company's interest rate risk arises from long-term borrowings. Borrowings issued at variable rates expose the Group and Company to cash flow interest rate risk which is partially offset by cash held at variable rates. The Group and Company regularly monitor financing options available to ensure optimum interest rates are obtained. At 31 December 2022, an increase/decrease of 1% would have resulted in insignificant change (2021: insignificant) in Group and Company post tax profit.

(b) Credit risk

Credit risk is managed on a Group basis. Credit risk arises from deposits with banks, amounts due from related parties, derivative financial instruments as well as trade and other receivables. Neither the Group nor the Company has any significant concentrations of credit risk. Credit risk is the risk that a counterparty will default on its contractual obligations resulting in financial loss to the Group and Company.

For banks and financial institutions, only reputable well-established financial institutions are accepted. For trade receivables, Group management assesses the credit quality of each customer, taking into account its financial position, past experience and other factors. The utilisation of credit limits is regularly monitored and management expects minimal losses from non-performance by these counterparties.

The amount that best represents the Group and Company's maximum exposure to credit risk at 31 December 2022 and 31 December 2021 is made up as follows:

	Group		Company	
	2022	2021	2022	2021
	KShs' 000	KShs' 000	KShs' 000	KShs' 000
Cash and cash equivalents	2,368,003	3,028,755	2,367,962	3,028,738
Amounts due from related parties	2,992,102	2,668,584	4,889,737	2,668,584
Trade and other receivables	1,320,807	1,278,998	220,010	522,034
Derivative financial instruments	2,772	23,136	2,772	23,136
	6,683,684	6,999,473	7,480,481	6,242,492

NOTES (continued)

5. Financial risk management (continued)

(b) Credit risk (continued)

All receivables that are neither past due nor impaired are within their approved credit limits, and no receivables have had their terms renegotiated.

Expected credit loss (ECL) assessment as at 1 January and 31 December 2022

The Group uses a provision matrix to measure the ECLs of trade receivables from customers and farmers. The loss rates are calculated using a 'roll rate' method based on the probability of a receivable progressing through successive stages of delinquency to write-off. Roll rates are calculated separately for exposures in different segments based on common credit risk characteristics and customers.

For Intercompany receivables, the Group has calculated the ECL based on a factor of the following: probability of default, exposure at default and the loss given default. The probability of default is based on the average loss rate for the past 6 years with an adjustment for forward looking information.

The following table provides information about the exposure to credit risk and ECLs for trade receivables, loans and advances to farmers and intercompany receivables as at 31 December 2022 and 2021.

(i) Trade receivables

As at 31 December 2022 - Group				
Aging bucket	Loss rate	Carrying amount KShs' 000	Loss allowance KShs' 000	Credit impaired
Current (not past due, 0-3 days)	0.1%	1,079,715	1,080	No
4-30 days past due	0.6%	-	-	No
31-60 days past due	1.1%	-	-	No
61-90 days past due	1.6%	-	-	No
More than 90 days past due	2.1%	-	-	No
		1,079,715	1,080	

As at 31 December 2022 - Company				
Aging bucket	Loss rate	Carrying amount KShs' 000	Loss allowance KShs' 000	Credit impaired
Current (not past due, 0-3 days)	0.1%	-	-	No
4-30 days past due	0.6%	-	-	No
31-60 days past due	1.1%	-	-	No
61-90 days past due	1.6%	-	-	No
More than 90 days past due	2.1%	-	-	No
		-	-	

NOTES (continued)

5. Financial risk management (continued)

(b) Credit risk (continued)

(i) Trade receivables (continued)

As at 31 December 2021 - Group

Aging bucket	Loss rate	Carrying amount KShs' 000	Loss allowance KShs' 000	Credit impaired
Current (not past due, 0–3 days)	-	919,100		No
4–30 days past due	2.01%	26,383	530	No
31–60 days past due	3.91%	33,334	1,303	No
61–90 days past due	5.82%	-	-	No
More than 90 days past due	7.72%	-	-	No
		978,817	1,833	

As at 31 December 2021 - Company

Aging bucket	Loss rate	Carrying amount KShs' 000	Loss allowance KShs' 000	Credit impaired
Current (not past due, 0–3 days)	-	-	-	No
4–30 days past due	2.01%	-	-	No
31–60 days past due	3.91%	-	-	No
61–90 days past due	5.82%	-	-	No
More than 90 days past due	7.72%	-	-	No
		-	-	

Loss rates are based on actual credit loss experience over the past 7 years, current conditions plus the Group's view of economic conditions such as inflation, commercial bank interest rates and growth in the economy's gross domestic product.

(ii) Intercompany receivables

For Group and Company, the calculated ECL which represents the probability of default was 0.48% (2021: 0.36%) which considers historical experience over the last seven years, current conditions, exchange rates and country risk. This was applied to the gross outstanding amount and resulted in insignificant loss allowance for the year ended 31 December 2022 (31 December 2021: Nil).

(iii) Loans and advances to farmers

For Group and Company, the calculated ECL which represents the probability of default was 0.47% (2021: 0.36%) which considers historical experience over the last six years, current conditions and forecasted uninsured losses. This was applied to the gross outstanding amount and resulted in a loss allowance of KShs 4,407,922 for the year ended 31 December 2022 (31 December 2021: KShs 12,437,215).

(iv) Cash and cash equivalents

The Group and Company held cash and cash equivalents of KShs 2,368,003 and KShs 2,367,962 respectively (2021: Group KShs 3,028,755,462 and Company - KShs 3,028,738,740). The cash and cash equivalents are held with banks and financial institution counterparties, which are rated between A1 to Ba1, based on Moody's ratings.

Impairment on cash and cash equivalents has been measured on a 12-month expected credit loss basis and reflects the short maturities of the exposures. The Group considers that its cash and cash equivalents have low credit risk based on the external credit ratings of the counterparties.

NOTES (continued)

5. Financial risk management (continued)

(b) Credit risk (continued)

The impact of IFRS 9 as at 31 December 2022 and 2021 was not significant.

(v) Derivatives

The derivatives are entered into with bank and financial institution counterparties, which are rated between A1 to Baa2, based on Moody's ratings. The impact of IFRS 9 as at 31 December 2022 and 2021 was not significant.

The reduction in the loss allowance during the year is due to recoveries made. The movement in the allowance is not significant.

(c) Liquidity risk

Liquidity risk is the risk that the Group and Company will not be able to meet their financial obligations as they fall due. Prudent liquidity risk management includes maintaining sufficient cash, and the availability of funding from an adequate amount of committed credit facilities. Due to the dynamic nature of the underlying businesses, the treasury department maintains flexibility in funding by maintaining availability under committed credit lines.

Management performs cash flow forecasting and monitor rolling forecasts of the Group and Company's liquidity requirements to ensure it has sufficient cash to meet its operational needs while maintaining sufficient headroom on its undrawn committed borrowing facilities (Note 26) at all times so that the Group and Company do not breach borrowing limits or covenants (where applicable) on any of their borrowing facilities.

The Group's approach when managing liquidity is to ensure, as far as possible, that it will always have sufficient liquidity to meet its liabilities when due, without incurring unacceptable losses or risking damage to the Group's reputation.

The table below analyses the Group's and the Company's financial liabilities that will be settled on a net basis into relevant maturity groupings based on the remaining period at the statement of financial position date to the contractual maturity date. Balances due within one year are equal to their carrying amounts, as the impact of discounting is not significant. The amounts disclosed in the table below are the contractual undiscounted cash flows.

(i) Group

At 31 December 2022	Less than 1 year KShs' 000	Between 1 & 3 years KShs' 000
Liabilities		
Borrowings	22,716	15,074
Trade and other payables	3,395,837	-
Amounts due to related parties	884,599	-
Derivative financial instruments	4,848	-
Total financial liabilities	4,308,000	15,074
Assets		
Cash and bank balances	2,368,003	-
Amounts due from related parties	2,992,102	-
Trade and other receivables	1,320,808	-
Derivative financial instruments	2,772	-
Total financial assets	6,683,685	-

NOTES (continued)

5. Financial risk management (continued)

(c) Liquidity risk (continued)

(i) Group (continued)

At 31 December 2021	Less than 1 year KShs' 000	Between 1 & 3 years KShs' 000
Liabilities		
Borrowings	20,313	20,881
Trade and other payables	3,747,494	-
Amounts due to related parties	1,270,752	-
Derivative financial instruments	32,498	-
Total financial liabilities	5,073,837	20,881
Assets		
Cash and bank balances	3,028,755	-
Amounts due from related parties	2,668,584	-
Trade and other receivables	1,278,998	-
Derivative financial instruments	23,136	-
Total financial assets	6,999,473	-

(ii) Company

At 31 December 2022	Less than 1 year KShs' 000	Between 1 & 3 years KShs' 000
Liabilities		
Borrowings	21,503	6,551
Trade and other payables	2,757,929	-
Amounts due to related parties	865,735	-
Derivative financial instruments	4,848	-
Total financial liabilities	3,650,015	6,551
Assets		
Cash and bank balances	2,367,962	-
Amounts due from related parties	4,889,737	-
Trade and other receivables	220,010	-
Derivative financial instruments	2,772	-
Total financial assets	7,480,481	-

NOTES (continued)

5. Financial risk management (continued)

(c) Liquidity risk (continued)

(ii) Company (continued)

At 31 December 2021	Less than 1 year KShs' 000	Between 1 & 3 years KShs' 000
Liabilities		
Borrowings	19,007	20,881
Trade and other payables	2,009,962	-
Amounts due to related parties	1,248,902	-
Derivative financial instruments	32,498	-
Total financial liabilities	3,310,369	20,881
Assets		
Cash and bank balances	3,028,738	-
Amounts due from related parties	2,668,584	-
Trade and other receivables	522,034	-
Derivative financial instruments	23,136	-
Total financial assets	6,242,492	-

For both Group and Company, there are no financial assets or liabilities older than 3 years.

(d) Capital risk management

Capital comprises all components of equity as shown in the statement of changes in equity plus net debt. The Group's and Company's objectives when managing capital are to safeguard the Group's and Company's ability to continue as a going concern in order to provide returns for shareholders and to maintain an optimal capital structure to reduce the cost of capital. In order to maintain or adjust the capital structure, the Group may adjust the amount of dividends paid to shareholders, issue new capital or sell assets to reduce debt.

The Group monitors capital on the basis of the gearing ratio. This ratio is calculated as net debt divided by total capital. Net debt is calculated as total borrowings less cash and cash equivalents. Total capital is calculated as equity plus net debt.

	Group		Company	
	2022 KShs' 000	2021 KShs' 000	2022 KShs' 000	2021 KShs' 000
Total borrowings	36,260	39,978	27,982	38,672
Less: cash and cash equivalents	(2,368,003)	(3,028,755)	(2,367,962)	(3,028,738)
Net debt	(2,331,743)	(2,988,777)	(2,339,980)	(2,990,066)
Total equity	16,381,947	14,974,368	16,381,947	14,974,368
Total capital	14,050,204	11,985,591	14,041,967	11,984,302
Gearing ratio	(17%)	(25%)	(17%)	(25%)

NOTES (continued)

5. Financial risk management (continued)

(d) Capital risk management (continued)

Financial instruments by category

Financial assets:

All of the Group and Company's financial assets are classified as loans and receivables and comprise:

Financial Assests	Group		Company	
	2022 KShs' 000	2021 KShs' 000	2022 KShs' 000	2021 KShs' 000
Trade and other receivables (excluding pre-payments)	4,312,909	3,947,582	5,109,747	3,190,618
Cash and cash equivalents	2,368,003	3,028,755	2,367,962	3,028,738
Derivative financial instruments	2,772	23,136	2,772	23,136
	6,683,684	6,999,473	7,480,481	6,242,492

Financial liabilities:

All of the Group and Company's financial liabilities are classified as liabilities at amortised cost and comprise:

Financial liabilities	Group		Company	
	2022 KShs' 000	2021 KShs' 000	2022 KShs' 000	2021 KShs' 000
Trade and other payables (excluding statutory liabilities)	4,280,436	5,018,246	3,623,664	3,258,864
Borrowings	36,260	39,979	27,982	38,672
Derivative financial instruments	4,848	32,498	4,848	32,498
	4,321,544	5,090,722	3,656,494	3,330,034

(e) Fair value

A number of the Group's accounting policies and disclosures require the determination of fair values, for both financial and non-financial assets and liabilities. Below is the fair value measurements disclosure using a three-level fair value hierarchy that reflects the significance of the inputs used in determining the measurements. It should be noted that these disclosures only cover instruments measured at fair value.

Level 1

Included in level 1 category are financial assets and liabilities that are measured in whole or in part by reference to published quotes in an active market. A financial instrument is regarded as quoted in an active market if quoted prices are readily and regularly available from an exchange, dealer, broker, industry group, pricing service or regulatory agency and those prices represent actual and regularly occurring market transactions on an arm's length basis.

Level 2

Included in level 2 category are financial assets and liabilities measured using inputs other than quoted prices included within level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices). For example, instruments measured using a valuation technique based on assumptions that are supported by prices from observable current market transactions are categorised as level 2. Financial assets and liabilities measured using a valuation technique based on assumptions that are supported by prices from observable current market transactions

NOTES (continued)

5. Financial risk management (continued)

(e) Fair value (continued)

are assets and liabilities for which pricing is obtained via pricing services, but where prices have not been determined in an active market, financial assets with fair values based on broker quotes, investments in private equity funds with fair values obtained via fund managers and assets that are valued using the Group's own models whereby the majority of assumptions are market observable.

Level 3

Financial assets and liabilities measured using inputs that are not based on observable market data are categorised as level 3. Nonmarket observable inputs means that fair values are determined in whole or in part using a valuation technique (model) based on assumptions that are neither supported by prices from observable current market transactions in the same instrument nor are they based on available market data. Valuation techniques are used to the extent that observable inputs are not available, thereby allowing for situations for which there is little, if any, market activity for the asset or liability at the measurement date. However, the fair value measurement objective remains the same, that is, an exit price from the perspective of the Group. Therefore, unobservable inputs reflect the Group's and Company's own assumptions about the assumptions that market participants would use in pricing the asset or liability (including assumptions about risk). These inputs are developed based on the best information available, which might include the Group's own data. However, significant portion of the unquoted shares have been valued at cost and variation in inputs would not have significant fair value change.

The following table shows an analysis of non-financial assets held at fair value as at 31 December 2022 and 31 December 2021:

Financial liabilities	Group		Company	
	2022 KShs' 000	2021 KShs' 000	2022 KShs' 000	2021 KShs' 000
Property, plant and equipment (Note 19)	11,935,486	12,115,009	10,436,532	10,605,134
Forward exchange contracts (Note 24)	2,772	23,136	2,772	23,136
Total assets	11,938,258	12,138,145	10,439,304	10,628,270

6. Non-GAAP measures – Gross sales including indirect taxes

To supplement the Group's results presented in accordance with IFRS, the Group reviews gross sales including indirect taxes, excise duty and value added tax to evaluate the underlying business performance, allocate resources to the overall business and to communicate financial performance to investors. Gross sales including indirect taxes adjusted by excise duty and value added tax are not measures defined by IFRS. The Group believes that these additional measures are useful to investors and other stakeholders. Gross sales adjusted by excise duty and value added tax should not be considered in isolation from, or as a substitute analysis for the Group's Revenue as determined in accordance with IFRS.

NOTES (continued)

7. Segment information

The Managing Director is the Group's chief operating decision-maker. The Managing Director considers the business from a geographic and product perspective. Geographically, management considers the performance in Local Sales and Export Sales.

From a product perspective, management considers sales of cigarettes, cut rag (semi-processed tobacco) and modern oral nicotine pouches. All the products are manufactured through the same process and in the same location. The group is considered as one reportable operating segment.

	2022 KShs' 000	2021 KShs' 000
Analysis of net revenue from contract with customers by geography:		
Local sales	13,230,244	12,491,301
Export sales	14,147,678	12,936,068
	27,377,922	25,427,369
Analysis of net revenue from contract with customers by product:		
Sale of cigarettes	24,370,311	22,952,049
Sale of cut rag	2,915,147	2,475,320
Sale of modern oral	92,464	-
	27,377,922	25,427,369

8. Raw materials and manufacturing costs

	2022 KShs' 000	2021 KShs' 000
Raw materials, consumables and other manufacturing costs	12,251,751	10,951,335
Employment expenses	1,491,510	1,613,491
Depreciation of property, plant and equipment	467,287	453,106
Impairment/reversal of impairment of property, plant and equipment	22,142	(22,083)
	14,232,690	12,995,849

9. Marketing and distribution costs

	2022 KShs' 000	2021 KShs' 000
Employment expenses	325,675	393,539
Depreciation	40,038	29,606
Freight and other expenses	800,692	893,964
	1,166,405	1,317,109

NOTES (continued)

10. Administration and other expenses

	2022 KShs' 000	2021 KShs' 000
Employment expenses	136,917	205,955
Recharges and other expenses	1,635,414	1,421,280
Depreciation	122,358	107,811
Employee reorganisation costs*	323,897	164,257
	2,218,586	1,899,303

* Reorganisation costs reflect the costs incurred as a result of initiatives to improve the effectiveness and efficiency of the company as an integrated enterprise. These initiatives include the costs related to review of the company's organisational structure and manufacturing operations, to simplify the business and create an agile and fit for purpose company.

11. Finance (income)/costs

	Group		Company	
	2022 KShs' 000	2021 KShs' 000	2022 KShs' 000	2021 KShs' 000
Interest income	(20,487)	(3,791)	(20,487)	(3,791)
Interest expense	79,446	105,356	79,389	105,168
Interest on lease liabilities	3,616	4,433	3,043	4,200
Net foreign currency exchange (gains)/ losses	(95,097)	(24,382)	(95,097)	(24,382)
	(32,522)	81,616	(33,152)	81,195

12. Profit before tax

	2022 KShs' 000	2021 KShs' 000
The following items have been charged in arriving at the profit before income tax:		
Employee benefits expense (Note 13)	2,277,998	2,377,241
Auditor's remuneration	14,945	13,711
Depreciation (Note 20)	629,683	590,522
Loss on disposal	-	759

NOTES (continued)

13. Employee benefits expense

	2022	2021
	KShs' 000	KShs' 000
Salaries and wages	1,875,706	2,132,705
Retirement benefits costs:		
Defined contribution scheme	72,660	78,095
National Social Security Fund (NSSF)	5,735	2,184
Employee reorganisation costs (Note 9)	323,897	164,257
	2,277,998	2,377,241

14. Income tax

	2022	2021
	KShs' 000	KShs' 000
Current income tax		
Current tax on profits for the year	2,846,358	2,661,176
Total current tax	2,846,358	2,661,176
Deferred income tax (Note 18)		
Deferred income tax	81,399	133,598
Prior year under provision of deferred tax	93,124	9,864
Total deferred income tax	174,523	143,462
Income tax expense	3,020,881	2,804,638
The tax on the Group's profit before income tax differs from the theoretical amount that would arise using the statutory income tax rate as follows:		
Profit before income tax	9,912,873	9,288,018
Tax calculated at domestic rate applicable to profit - 30% (2021:30%)	2,973,862	2,786,405
Tax effect of:		
Income not subject to tax	(9,821)	(21,498)
Expenses not deductible for tax purposes	61,425	30,549
Expenses not deductible for tax purposes	93,124	9,864
Prior year under provision of deferred tax	(97,709)	(683)
Income tax expense	3,020,881	2,804,638

NOTES (continued)

14. Income tax (continued)

The tax charge relating to components of equity are as follows:

Group	2022 KShs' 000			2021 KShs' 000		
	Before tax	Tax charge	After tax	Before tax	Tax charge	After tax
Transfer of excess depreciation	53,531	(16,059)	37,472	57,285	(17,185)	40,100
Fair value on hedge reserve	(22,268)	6,681	(15,587)	18,637	(3,254)	15,383
Deferred tax on revaluation	-	-	-	(1,643,295)	492,989	(1,150,306)
	31,263	(9,378)	21,885	(1,567,373)	472,550	(1,094,823)

15. Earnings per share

Basic earnings per share are calculated by dividing the profit attributable to equity holders of the Company by the weighted average number of ordinary shares in issue during the year.

	2022	2021
Profit attributable to equity holders of the Company (KShs '000)	6,891,992	6,483,381
Weighted average number of ordinary shares in issue (thousands)	100,000	100,000
Basic earnings per share (Shs)	68.92	64.83

16. Dividends per share

During the year a final dividend in respect of the 2021 financial results of KShs 50 (2020: KShs 41.50) and an interim dividend of KShs 5 per share (2021: KShs 3.50) was declared and paid. The total dividend paid in the year is therefore KShs 55 per share (2021: KShs 45.00), amounting to a total of KShs 5,500,000,000 (2021: KShs 4,500,000,000).

At the annual general meeting to be held on 15 June 2023 a final dividend in respect of the year ended 31 December 2022 of KShs 52.00 per share amounting to a total of KShs 5,200,000,000 (2021: 5,000,000,000) is to be proposed. These Financial Statements do not reflect this dividend as a liability.

Payment of dividends is subject to withholding tax at a rate of either 5% or 15% depending on the residence of the respective shareholders.

NOTES (continued)

17. Capital and reserves

(i) Share capital – Group and Company

	Number of shares (Thousands)	Ordinary Shares KShs' 000	Share premium KShs' 000
Authorised, issued and fully paid			
Balance at beginning and end of year	100,000	1,000,000	23

The total authorised number of ordinary shares is 100,000,000 with a par value of KShs 10 per share. All issued shares are fully paid. All shares rank equally with regard to the company's residual assets. The holders of ordinary shares are entitled to receive dividends as declared from time to time and are entitled to one vote per share at meetings of the Company.

(ii) Share premium

Share premium arose when the shares of the Company were issued at a price higher than the par value.

(iii) Hedging reserve

The Company had a hedging reserve of KShs 204,000 as at 31 December 2022. The hedging reserve was KShs (15,383,000) as at 31 December 2021.

18. Revaluation surplus

The revaluation reserve surplus of KShs 2,799,711,000 (2021: KShs 2,837,183,000) relates to the revaluation of the Group and Company's land and buildings net of deferred income tax and is non-distributable. The movements in the revaluation surplus are set out in the Group and Company statements of changes in equity.

19. Deferred income tax

	2022 KShs' 000	2021 KShs' 000
The analysis of Group deferred tax assets and deferred liabilities is as follows		
Deferred tax assets	(160,336)	(190,046)
Deferred tax liabilities	2,070,569	1,919,075
Deferred tax liabilities (net)	1,910,233	1,729,029
Deferred income tax is calculated using the enacted income tax rate of 30% (2021:30%). The movement on the Group deferred income tax account is as follows:		
At start of year	1,729,029	1,095,832
Credit to statement of profit or loss and other comprehensive income	81,399	133,598
Prior year under provision of deferred tax	93,124	9,864
Total charge to P&L	174,523	143,462
Charge to equity	6,681	489,735
At end of year	1,910,233	1,729,029

NOTES (continued)

19. Deferred income tax (continued)

Consolidated Group deferred tax assets and liabilities and deferred income tax charge in the consolidated income statement are attributable to the following items.

Year ended 31 December 2022	1.1.2022 KShs' 000	Charged /(credited) to P&L KShs' 000	Charged /(credited) to equity KShs' 000	31.12.2022 KShs' 000
Deferred income tax liabilities				
Property, plant and equipment:				
■ on historical cost basis	1,076,597	(50,289)	-	1,026,308
■ on revaluation surpluses	1,213,549	-	-	1,213,549
■ on Right of Use Assets	7,212	-	-	7,212
Unrealised exchange gains	18,062	17,432	-	35,494
Deferred tax in respect of fair value gain on hedge reserve	12,840	-	-	12,840
	2,328,260	(32,857)	-	2,295,403
Deferred income tax assets				
Provisions for liabilities and charges	(570,994)	129,897	-	(441,097)
Unrealised exchange losses	(1,450)	(14,637)	-	(16,087)
Lease liabilities	(7,355)	(1,003)	-	(8,358)
Deferred tax in respect of fair value loss on hedge reserve	(29,297)	-	6,681	(22,616)
Prior year under provision of deferred tax	9,865	93,123	-	102,988
	(599,231)	207,380	6,681	(385,170)
Net deferred income tax liability	1,729,029	174,523	6,681	1,910,233

NOTES (continued)

19. Deferred income tax (continued)

Year ended 31 December 2021	1.1.2021 KShs' 000	Charged /(credited) to P&L KShs' 000	Charged /(credited) to equity KShs' 000	31.12.2021 KShs' 000
Deferred income tax liabilities				
Property, plant and equipment:				
■ on historical cost basis	1,302,283	(225,686)	-	1,076,597
■ on revaluation surpluses	737,745	(17,185)	492,989	1,213,549
■ on Right of Use Assets	7,212	-	-	7,212
Unrealised exchange gains	57,362	(39,300)	-	18,062
Deferred tax in respect of fair value gain on hedge reserve	12,840	-	-	12,840
	2,117,442	(282,171)	492,989	2,328,260
Deferred income tax assets				
Provisions for liabilities and charges	(965,763)	394,769	-	(570,994)
Unrealised exchange losses	(48,750)	47,300	-	(1,450)
Lease liabilities	9,081	(16,436)	-	(7,355)
Deferred tax in respect of fair value loss on hedge reserve	(16,179)	(9,864)	(3,254)	(29,297)
Prior year under provision of deferred tax	1	9,864	-	9,865
	(1,021,610)	425,633	(3,254)	(599,231)
Net deferred income tax liability	1,095,832	143,462	489,735	1,729,029

NOTES (continued)

19. Deferred income tax (continued)

Deferred income tax of KShs 16,059,000 (2021: KShs 17,185,000) was transferred within shareholders' equity from revaluation reserves to retained earnings. This represents deferred income tax on the difference between the actual depreciation and the equivalent depreciation based on the historical cost of currently owned property.

Company deferred income tax assets and liabilities are attributable to the following items:

	2022	2021
	KShs' 000	KShs' 000
The analysis of Company deferred tax assets and deferred tax liabilities is as follows:		
Deferred income tax liabilities	2,070,569	1,919,075
Property, plant and equipment:		
■ on historical cost basis	1,062,029	1,019,187
■ on revaluation surpluses	1,270,958	1,270,958
■ on Right of Use Assets	-	-
Unrealised exchange gains	34,276	16,627
Total deferred income tax liabilities	2,367,263	2,306,772
Deferred income tax assets		
Provisions for liabilities and charges	(279,877)	(380,495)
Unrealised exchange losses	(15,822)	(449)
Right of use assets	(1,082)	(160)
Deferred tax in respect of fair value loss on hedge reserve	87	(6,593)
Total deferred income tax assets	(296,694)	(387,697)
Net deferred income tax liability	2,070,569	1,919,075

NOTES (continued)

20 (a) Property, plant and equipment – Group

	Land and Buildings	Plant and Machinery	Vehicles and Equipment	Construction in Progress*	Total
	KShs' 000	KShs' 000	KShs' 000	KShs' 000	KShs' 000
Year ended 31 December 2022					
Opening net book amount	5,743,628	4,111,003	240,518	2,019,860	12,115,009
Additions					
■ Purchases	9,713	61,303	180,748	499,738	751,502
■ ROU Additions	9,074	-	11,626	-	20,700
Disposals					
■ Cost	(2,822)	-	(11,815)	-	(14,637)
■ Accumulated depreciation	2,822	-	11,815	-	14,637
Impairment	(22,142)	-	-	-	(22,142)
Depreciation charge	(118,176)	(373,733)	(137,774)	-	(629,683)
Transfer to lease liability	798	972	-	-	1,769
Transfers	26,442	169,988	118,976	(315,406)	-
Assets reclassified as held for sale					
■ Cost	(415,450)	-	-	-	(415,450)
■ Accumulated depreciation	113,780	-	-	-	113,780
Closing net book amount	5,347,667	3,969,533	414,094	2,204,192	11,935,486
At 31 December 2022					
Cost or valuation	6,779,325	10,722,033	1,595,926	2,204,192	21,301,444
Accumulated depreciation	(1,431,658)	(6,753,470)	(1,181,832)	-	(9,366,959)
Net book amount	5,347,667	3,969,533	414,094	2,204,192	11,935,486

Year ended 31 December 2021

Opening net book amount	4,170,450	4,093,353	266,618	1,951,399	10,481,820
Additions	36,386	77,636	50,793	405,299	570,114
Revaluation gain	1,643,295	-	-	-	1,643,295
Disposals Cost	(801)	(1,080)	(74,543)	-	(76,424)
Disposals Acc depreciation	801	1,031	73,833	-	75,665
Reversal of impairment loss	-	22,083	-	-	22,083
Depreciation charge	(117,400)	(349,639)	(123,483)	-	(590,522)
Transfer to lease liability	(8,159)	-	(2,863)	-	(11,022)
Transfers	19,056	267,619	50,163	(336,838)	-
Closing net book amount	5,743,628	4,111,003	240,518	2,019,860	12,115,009
At 31 December 2021					
Cost or valuation	7,151,570	10,490,740	1,296,391	2,019,860	20,958,561
Accumulated depreciation	(1,407,942)	(6,379,737)	(1,055,873)	-	(8,843,552)
Net book amount	5,743,628	4,111,003	240,518	2,019,860	12,115,009

*Construction in progress relates to factory buildings under construction and plant and machinery under installation at the year end. As at 31 December 2022, property, plant and equipment includes right of use assets of KShs 32,354,000 (2021 – KShs 39,478,000) related to leased properties (see Note 29).

NOTES (continued)

20 (a) Property, plant and equipment – Company

	Land and Buildings	Plant and Machinery	Vehicles and Equipment	Construction in Progress*	Total
	KShs' 000	KShs' 000	KShs' 000	KShs' 000	KShs' 000
Year ended 31 December 2022					
Opening net book amount	5,743,010	4,111,052	240,519	510,553	10,605,134
Additions					
■ Purchases	9,713	61,303	180,748	518,132	769,896
■ ROU Additions	-	-	11,626	-	11,626
Disposals Cost	-	-	(11,815)	-	-
Disposals Acc depreciation	-	-	11,815	-	-
Impairment	(22,142)	-	-	-	(22,142)
Depreciation charge	(115,777)	(373,733)	(137,774)	-	(627,284)
Transfer to lease liability	-	972	-	-	972
Transfers	26,443	169,988	118,976	(315,406)	-
Assets held for sale Cost	(415,450)	-	-	-	(415,450)
Assets held for sale Acc depreciation	113,780	-	-	-	113,780
Closing net book amount	5,339,577	3,969,582	414,095	713,279	10,436,532
At 31 December 2022					
Cost or valuation	6,768,158	10,724,082	1,614,029	713,279	19,818,548
Accumulated depreciation	(1,428,581)	(6,754,501)	(1,199,935)	-	(9,383,016)
Net book amount	5,339,577	3,968,582	414,095	713,279	10,436,532
Year ended 31 December 2021					
Opening net book amount	4,164,650	4,093,353	265,150	450,570	8,973,723
Additions	36,386	77,636	50,794	396,821	561,637
Revaluation gain	1,643,295	-	-	-	1,643,295
Disposals					
■ Cost	(1,080)	-	(51,609)	-	(52,689)
■ Accumulated depreciation	1,031	-	50,899	-	51,930
Reversal of impairment loss	-	22,083	-	-	22,083
Depreciation charge	(114,490)	(349,639)	(123,483)	-	(587,612)
Transfer to lease liability	(5,838)	-	(1,395)	-	(7,231)
Transfers	19,056	267,619	50,163	(336,838)	-
Closing net book amount	5,743,010	4,111,052	240,519	510,553	10,605,134
At 31 December 2021					
Cost or valuation	7,147,452	10,491,820	1,314,495	510,553	19,464,320
Accumulated depreciation	(1,404,442)	(6,380,768)	(1,073,976)	-	(8,859,186)
Net book amount	5,743,010	4,111,052	240,519	510,553	10,605,134

*Construction in progress relates to factory buildings under construction and plant and machinery under installation at the year end.

As at 31 December 2022, property, plant and equipment includes right of use assets of KShs 24,315,000 (2021: KShs 38,112,000) related to leased properties (see Note 29).

NOTES (continued)

20. (a) Property, plant and equipment – Group

In 2022 Knight Frank Valuers Limited, professionally valued the Group's and Company's land and buildings. The valuation was on an open market value basis.

The valuer used the comparable method of valuation for valuation of land. This is defined as a set of procedures in which a valuer derives the value by comparing the property being valued to similar properties that have recently been sold applying appropriate units of comparison and making adjustments to the sale prices of the comparable sales. The technique is based on the principal of substitution which states that the value of a property tends to be set by the price that would be paid to acquire a substitute property of similar utility and desirability within a reasonable amount of time. The fair value measurement of revalued items of land has been categorized as a level 2 fair value based on the inputs to the valuation techniques.

Buildings were valued on the basis of Depreciated Replacement Cost (Private Sector) which is defined as the Current Gross Replacement Cost of the improvements, less allowance for physical deterioration and all relevant forms of obsolescence and optimisation. The fair value measurement of revalued items of buildings has been categorized as a level 3 fair value based on the inputs to the valuation techniques.

Significant unobservable inputs which would cause variations in estimated fair value would include risk-adjusted discount rate increase (decrease), shorter (longer) void periods and surrounding infrastructural developments (deteriorations).

If the land and buildings were stated on the historical cost basis, the amounts would be as follows:

	2022 KShs' 000	2021 KShs' 000
Cost	2,293,439	2,261,497
Accumulated depreciation	(624,443)	(567,623)
Net book amount	1,668,996	1,693,874

There are no assets that have been pledged as collateral for loans.

20. (b) Assets held for sale

During the year ended 31 December 2022, management approved the disposal of six properties previously classified within the company's land and buildings but not in use to be sold to interested parties.

The properties comprise land and buildings in the leaf growing areas. Given that the properties met the criteria for classification as held for sale under IFRS5, "non-current assets held for sale and discontinued operations", they were recorded at the lower of their net book value and fair value less costs to sell. The fair value less cost to sell of the assets amounts to KShs 301,670,000. The fair value measurement of revalued items of land has been categorized as a level 2 fair value based on the inputs to the valuation techniques. Buildings were valued on the basis of Depreciated Replacement Cost (Private Sector) which is defined as the Current Gross Replacement Cost of the improvements, less allowance for physical deterioration and all relevant forms of obsolescence and optimisation. None of the properties were disposed off during the year.

	2022 KShs' 000	2021 KShs' 000
At the start of the year	-	-
Reclassifications from property plant and equipment	415,450	-
Disposals	-	-
Accumulated depreciation	(113,780)	-
At the end of the year	301,670	-

NOTES (continued)

21. Investment in subsidiaries

The Company's interest in its subsidiaries, all of which are wholly owned, incorporated in Kenya, unlisted and have the same year end as the Company, were as follows:

Subsidiary	Principal activity	Cost KShs' 000
BAT Kenya Tobacco Company Limited	Selling of cigarettes	12,000
East Africa Tobacco Company (Kenya) Limited	Dormant	-
Totals		12,000

22. Inventories

	Group		Company	
	2022 KShs' 000	2021 KShs' 000	2022 KShs' 000	2021 KShs' 000
Raw materials and consumables	3,164,429	2,831,027	3,159,900	2,813,325
Finished goods	467,308	1,028,610	395,466	985,709
	3,631,737	3,859,637	3,555,366	3,799,034

23. Receivables and prepayments

	Group		Company	
	2022 KShs' 000	2021 KShs' 000	2022 KShs' 000	2021 KShs' 000
Trade receivables	1,078,635	978,817	-	-
Other receivables	242,172	300,181	220,010	522,034
Prepayments	721,169	419,496	690,832	392,641
Due from related parties	2,992,102	2,668,584	4,889,737	2,668,584
	5,034,078	4,367,078	5,800,579	3,583,259

The carrying amounts of the above receivables and prepayments approximate their fair values.

24. Derivative financial instruments – Group and Company

The fair values of derivatives are determined based on market data (primarily yield curves, implied volatilities and exchange rates) to calculate the present value of all estimated flows associated with each derivative at the balance sheet date. In the absence of sufficient market data, fair value is based on the quoted market price of similar derivatives. The fair value measurement has been categorized as level two based on the inputs to the valuation techniques.

	Group & Company			
	2022 KShs' 000	2021 KShs' 000	2022 KShs' 000	2021 KShs' 000
Forward foreign currency contracts	2,772	4,848	23,136	32,498
Current	2,772	4,848	23,136	32,498
Non-current	-	-	-	-
	2,772	4,848	23,136	32,498

NOTES (continued)

24. Derivative financial instruments – Group and Company (continued)

These derivatives principally consist of forward foreign currency contracts which have been designated as hedges due to their value changes offsetting with other components of net finance costs relating to financial assets and financial liabilities. The derivatives are undertaken for risk management purposes.

25. Cash and cash equivalents

	Group		Company	
	2022	2021	2022	2021
	KShs' 000	KShs' 000	KShs' 000	KShs' 000
Cash at bank	2,368,003	3,028,755	2,367,962	3,028,738

For the purposes of the consolidated cash flow statement, cash and cash equivalents comprise the following:

	Group		Company	
	2022	2021	2022	2021
	KShs' 000	KShs' 000	KShs' 000	KShs' 000
Cash at bank	2,368,003	3,028,755	2,367,962	3,028,738
	2,368,003	3,028,755	2,367,962	3,028,738

26. Payables and accrued expenses

	Group		Company	
	2022	2021	2022	2021
	KShs' 000	KShs' 000	KShs' 000	KShs' 000
Trade payables	1,707,883	1,608,167	1,464,405	1,207,213
Statutory payables	783,727	752,056	429,712	683,514
Due to related companies	884,599	1,270,752	865,735	1,248,902
Accrued charges	1,429,646	2,057,612	1,035,216	721,034
Other payables	258,308	81,715	258,308	81,715
	5,064,163	5,770,302	4,053,376	3,942,378

NOTES (continued)

27. Borrowings

	Group		Company	
	2022	2021	2022	2021
	KShs' 000	KShs' 000	KShs' 000	KShs' 000
Non-current				
Lease liabilities	13,544	19,665	6,479	19,665
	13,544	19,665	6,479	19,665
Current				
Lease liabilities	22,716	20,313	21,503	19,007
	22,716	20,313	21,503	19,007

The lease liabilities relate to lease arrangements that the group has entered into for warehouses, vehicles and office premises for administrative, marketing and distribution teams in the ordinary course of business.

The movement in borrowings is as follows;

	Group		Company	
	2022	2021	2022	2021
	KShs' 000	KShs' 000	KShs' 000	KShs' 000
Opening balance	39,978	67,556	38,672	62,149
Lease liability reclassification		(11,022)	-	(7,233)
Lease additions	20,700	-	11,627	-
Payment of lease liabilities	(28,034)	(20,989)	(25,360)	(20,444)
Interest expense	3,616	4,433	3,043	4,200
Closing balance	36,260	39,978	27,982	38,672

The Group and Company have the following undrawn borrowing facilities:

The facilities are open ended. Bond guarantees are issued in favour of the Kenya Revenue Authority to cover import duty and excise payable.

	2022	2021
	KShs' 000	KShs' 000
Overdraft and short-term loan facilities bonds and guarantees	8,228,000	8,996,000
	8,228,000	8,996,000

NOTES (continued)

28. Current tax movement

	Group		Company	
	2022	2021	2022	2021
	KShs' 000	KShs' 000	KShs' 000	KShs' 000
Opening income tax asset	(167,973)	258,890	535,157	482,301
Charge to statement of profit or loss and other comprehensive income	(2,846,358)	(2,661,176)	(247,274)	(249,842)
Income tax paid	3,527,293	2,234,312	163,215	302,698
Closing income tax (liability)/asset	512,962	(167,973)	451,098	535,157
Current asset	512,962	535,157	451,098	535,157
Current liability	-	(703,130)	-	-
Closing income tax (liability)/asset	512,962	(167,973)	451,098	535,157

29. Leases

The Group leases warehouses, offices, vehicles and furniture. The leases typically run for a period ranging between 5-9 years. For certain leases, the Group is restricted from entering into any sub-lease arrangements. Information about leases for which the Group is a lessee is presented below.

(i) Right-of-use assets

Right-of-use assets related to leased properties that do not meet the definition of investment property are presented as property, plant and equipment.

	Land and Buildings	Vehicles and Equipment	Total
Group	KShs' 000	KShs' 000	KShs' 000
2022			
Balance as at 1 st January	1,366	38,112	39,478
Additions to right-of-use assets	9,072	11,627	20,699
Depreciation charge for the year	(2,399)	(25,395)	(27,794)
Derecognition of right-of-use assets	-	971	971
Balance as at 31st December	8,039	25,315	32,354
2021			
Balance as at 1 st January	15,328	87,900	103,228
Additions to right-of-use assets	-	17,114	17,114
Depreciation charge for the year	(2,910)	(22,500)	(25,410)
Derecognition of right-of-use assets	(11,052)	(44,402)	(55,454)
Balance as at 31st December	1,366	38,112	39,478

NOTES (continued)

29. Leases (continued)

(i) Right-of-use assets (continued)

Company	Land and Buildings KShs' 000	Vehicles and Equipment KShs' 000	Total KShs' 000
2022			
Balance as at 1 st January	-	38,112	38,112
Additions to right-of-use assets	-	11,627	11,627
Depreciation charge for the year	-	(25,395)	(25,395)
Derecognition of right-of-use assets	-	971	971
Balance as at 31st December	-	24,315	24,315
2021			
Balance as at 1 st January	9,529	86,433	95,962
Additions to right-of-use assets	-	17,114	17,114
Depreciation charge for the year	-	(21,033)	(21,033)
Derecognition of right-of-use assets	(9,529)	(44,402)	(53,931)
Balance as at 31st December	-	38,112	38,112

(ii) Amounts recognised in profit or loss

Financial liabilities	Group		Company	
	2022 KShs' 000	2021 KShs' 000	2022 KShs' 000	2021 KShs' 000
Lease under IFRS 16				
Interest on lease liability	3,616	4,433	3,043	4,200

(iii) Amounts recognised in cash flows

Financial liabilities	Group		Company	
	2022 KShs' 000	2021 KShs' 000	2022 KShs' 000	2021 KShs' 000
Lease under IFRS 16				
Total cash outflows for leases	28,034	20,989	25,360	20,444

Renewal and cancelation options

Vehicle leases contain options exercisable by the Group to end the lease contract before contract period elapses.

NOTES (continued)

30. Provisions for liabilities and charges

	Group KShs' 000	Company KShs' 000
Year ended 31 December 2022		
At start of year	679,467	679,467
Additional provisions	384,257	384,257
Utilised during the year	(674,467)	(674,467)
At end of year	389,257	389,257
Year ended 31 December 2021		
At start of year	1,779,162	816,014
Additional provisions	258,732	258,732
Utilized during the year	(1,358,427)	(395,279)
At end of year	679,467	679,467

Provisions comprise balances set up in the ordinary course of business and are related to general liabilities to various stakeholders. These mainly comprise litigations and legal claims made against the Group and Company by various stakeholders. The information usually required by IAS 37 Provisions, Contingent Liabilities and Contingent Assets is not disclosed on the grounds that it can be expected to prejudice seriously the outcome of these litigations and claims. The Group and Company have recognised a provision for present obligations where the payments are probable and amounts can be estimated reliably.

31. Cash generated from operations

(a) Reconciliation of profit before taxation cash generated from operations

Group	2022 KShs' 000	2021 KShs' 000
Profit before taxation	9,912,873	9,288,018
Adjustments for:		
Depreciation (Note 20)	629,683	590,522
Impairment (Note 20)	22,142	(22,083)
Loss on disposal of property, plant and equipment	-	759
Interest income (Note 11)	(20,487)	(3,791)
Interest expense (Note 11)	79,446	105,356
Interest on lease liabilities (Note 11)	3,616	4,433
Disposal of lease liabilities (Note 20)	(1,769)	-
Fair value gain/(loss) on ineffective derivatives	14,982	(19,753)
Changes in working capital:		
■ inventories	227,900	(155,669)
■ receivables and prepayments (Note 23)	(667,000)	348,853
■ payables and accrued expenses	(362,536)	(465,607)
■ provisions for liabilities and charges	(633,813)	(1,099,695)
Cash generated from operations	9,205,037	8,571,343

NOTES (continued)

31. Cash generated from operations (continued)

(a) Reconciliation of profit before taxation cash generated from operations (continued)

Company	2022 KShs' 000	2021 KShs' 000
Profit before taxation	1,158,075	443,174
Adjustments for:		
Depreciation (Note 20)	627,284	587,612
Impairment (Note 20)	22,142	(22,083)
Profit on disposal of property, plant and equipment	-	759
Interest income (Note 11)	(20,487)	(3,791)
Interest expense (Note 11)	79,389	105,168
Interest on lease liabilities (Note 11)	3,043	4,200
Disposal of lease liabilities (Note 20)	(972)	-
Fair value gain/(loss) on ineffective derivatives	14,982	(19,752)
Changes in working capital:		
■ inventories	243,668	(179,645)
■ receivables and prepayments (Note 23)	(319,686)	207,011
■ payables and accrued expenses	(1,443,033)	(546,910)
■ provisions for liabilities and charges	(633,813)	(136,547)
Cash generated from operations	(269,408)	439,196

32. Related party transactions

The Group is controlled by British American Tobacco Plc incorporated in England and Wales, which is also the ultimate parent of the Group. There are other companies that are related to British American Tobacco Kenya plc through common shareholdings or common directorships. The Company has an operating subsidiary, BAT Kenya Tobacco Company Limited.

The following transactions were carried out with related parties.

	Group		Company	
	2022 KShs' 000	2021 KShs' 000	2022 KShs' 000	2021 KShs' 000
(i) Sale of goods and services				
Subsidiary	15,976,884	15,891,450	15,976,884	15,891,450
Other related parties	10,307,911	9,531,402	10,307,911	9,531,402
	26,284,795	9,531,402	26,284,795	25,422,852
(ii) Purchase of goods and services				
Parent company	508,570	393,103	508,570	311,697
Other related parties	1,450,661	1,286,400	1,450,661	512,206
	1,958,231	1,679,503	1,959,231	823,903
(iii) Outstanding balances arising from sale and purchase of goods/services				
Receivables from other related parties	2,992,102	2,668,584	2,992,102	2,668,584

NOTES (continued)

32. Related party transactions (continued)

(iii) Outstanding balances arising from sale and purchase of goods/ services (continued)	Group		Company	
	2022 KShs' 000	2021 KShs' 000	2022 KShs' 000	2021 KShs' 000
Payables to the parent company	8,267	39,846	8,267	39,846
Payables to other related parties	880,488	1,230,906	857,468	1,209,056
	888,755	1,270,752	865,735	1,248,902

The amounts outstanding are unsecured and will be settled in cash. No interest is charged on outstanding balances and no guarantees have been given or received.

	2022 KShs' 000	2021 KShs' 000
(v) Key management compensation		
Salaries and other short-term employment benefits	95,373	140,424
Other long-term benefits	18,141	174,054
	113,514	314,478
(vi) Directors' remuneration		
Fees for services as a director	24,494	22,467
Other emoluments (included in key management compensation above)	52,182	36,056
Total remuneration of directors of the Company	76,676	58,523

33. Contingent liabilities

The Group and Company's contingencies mainly arise from litigations and claims against and by the Group and Company. Given the nature of these legal cases, the Directors are of the opinion that disclosing the details of each case can be expected to prejudice seriously the position of the Group and Company with other parties. The Company has however recognised a provision for present obligations where the payments are probable and amounts can be estimated reliably. These provisions are included within Note 30 to the Financial Statements.

The Group has guarantees amounting to KShs 3,480,232,703. (2021: KShs 2,357,537,703), issued on its behalf in the normal course of business from which it is anticipated that no material liabilities will arise.

34. Capital commitments

Capital expenditure contracted for at the statement of financial position date but not recognised in the Financial Statements is as follows:

	Group		Company	
	2022 KShs' 000	2021 KShs' 000	2022 KShs' 000	2021 KShs' 000
Property, plant and equipment	151,625	210,084	151,625	346,693

35. Subsequent events

At the date of approval of the Financial Statements, the Directors are not aware of any matter or circumstance arising since the end of the financial period, not otherwise dealt with in these Financial Statements, which significantly affected the financial position of the Group and results of its operations.

PRINCIPAL SHAREHOLDERS AND SHARE DISTRIBUTION

Major shareholders as at 10 February 2023

Shareholder	No. of shares	% shareholding
Molensteegh Invest BV.	60,000,000	60.00%
Standard Chartered Nominees Non-Resd. A/C 9866	5,595,629	5.60%
Standard Chartered Nominees A/C KE003262	4,838,575	4.84%
Stanbic Nominees Ltd A/C NR1030824	3,285,002	3.29%
Standard Chartered Nominees Non Resd A/C KE11663	3,066,410	3.07%
Investment& Mortgages Nominees Ltd A/C 003746	975,000	0.98%
Investment& Mortgages Nominees Ltd A/C 003745	975,000	0.98%
Stanbic Nominees Ltd A/C R6631578	973,402	0.97%
Standard Chartered Kenya Nominees Ltd A/C Ke002373	750,000	0.75%
Kenya Commercial Bank Nominees Limited A/C 915b	730,045	0.73%
Others (5,262) shareholders	18,810,937	18.79%
Total	100,000,000	100

Summary of shareholders as at 10 February 2023

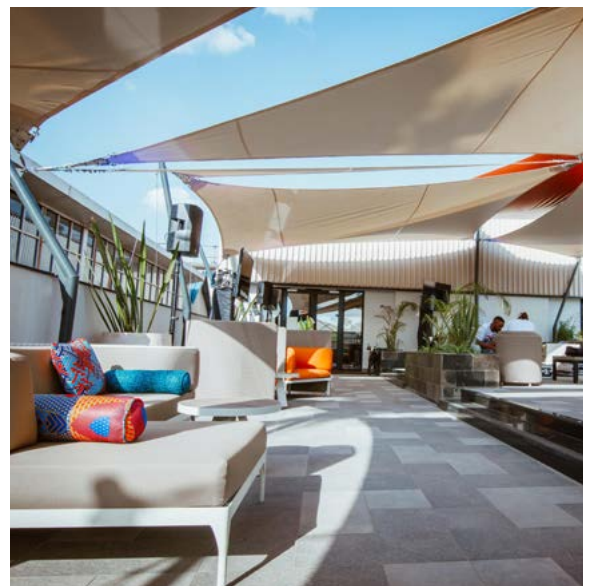
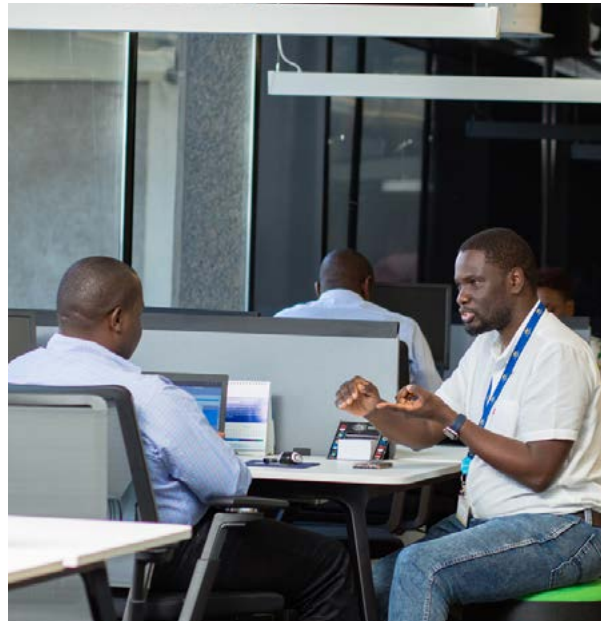
Shareholder	No. of shareholders	No. of shares	% shareholding
Foreign investors	130	80,522,566	80.52%
Local institutions	479	12,973,458	12.98%
Local individuals	4,663	6,503,976	6.50%
Total	5,272	100,000,000	100.00%

Distribution of shareholders as at 10 February 2023

Shareholder	No. of shareholders	No. of shares	% shareholding
Less than 500	2,960	623,711	0.62
501 - 5,000	1,901	2,963,543	2.96
5,001- 10,000	163	1,188,701	1.19
10,001 - 100,000	203	6,033,473	6.03
100,001 - 1,000,000	40	12,404,956	12.41
Above 1,000,000	5	76,785,616	76.79
TOTALS	5,272	100,000,000	100.00%

Directors' shareholding as at 10 February 2023

Director's Name	Shareholdings
Marion Gathoga-Mwangi	671
Sidney Wafula	300
Carol Musyoka	200



PROXY FORM



To:
The Secretary,
British American Tobacco Kenya plc,
P.O. Box 30000 - 00100,
Nairobi

I/We

Share A/c No

Of (Address)

Being a member(s) of British American Tobacco Kenya plc, hereby appoint:

Or failing him/her, the duly appointed Chairperson of the Meeting, to be my/our proxy, to vote for me/us and on my/our behalf, at the Annual General Meeting of the Company, to be held on Thursday, 15 June 2023 and at any adjournment thereof.

As witness my/our hand/s this day of 2023

.....
(Signature)

.....
(Signature)

Please clearly mark the box below to instruct your proxy how to vote

RESOLUTION	FOR	AGAINST	ABSTAIN
1) To receive, consider and if approved, adopt the Company's audited Financial Statements for the year ended 31 December 2022, together with the reports of the Chairperson, Directors and Auditor thereon.			
2) To confirm the interim dividend of KShs. 5/- per ordinary share paid on 16 September 2022 and to approve a final dividend of KShs. 52/- per ordinary share to be paid net of Withholding Tax on 15 June 2023, to shareholders on the register at the close of business on 26th May 2023.			
3) Election of Directors: a) To re-elect Rita Kavashe who retires at this meeting by rotation in accordance with the provisions of Article 102 of the Company's Articles of Association and being eligible, offers herself for re-election as a Director.			
b) To re-elect Dr. Martin Oduor-Otieno who retires at this meeting by rotation in accordance with the provisions of Article 102 of the Company's Articles of Association and being eligible, offers himself for re-election as a Director.			
4) To re-elect the following Directors, being members of the Board Audit & Risk Committee, to continue to serve as members of the said Committee: Dr. Martin Oduor-Otieno, Samuel Onyango and Marion Gathoga-Mwangi.			
5) To approve the remuneration of Directors and the Directors Remuneration Report for the year ended 31 December 2022.			
6) To re-appoint Messrs. KPMG Kenya as External Auditor of the Company by virtue of Section 721(2) of the Companies Act 2015, and to authorise the Directors to fix their remuneration for the year ending 31 December 2023.			
Special Business To consider, and if thought fit, pass the following resolution as an Ordinary Resolution, as recommended by the Directors: "That the striking off of East African Tobacco Company (Kenya) Limited, which is a wholly owned subsidiary of the Company, from the Register of Companies, be and is hereby approved".			

ELECTRONIC COMMUNICATIONS CONSENT FORM**Please complete in BLOCK CAPITALS**

Full name of Proxy(s):

Address:

Mobile Number

.....
(Date).....
(Signature)Please tick **ONE** of the boxes below and return to Image Registrars at P.O. Box 9287- 00100 Nairobi, 5th floor, ABSA Towers (formerly Barclays Plaza), Loita Street:**Approval of registration**

I/WE approve to register to participate in the virtual Annual General Meeting to be held on 15 June, 2023.

☐**Consent for use of the mobile number provided**

I/WE would give my/our consent for the use of the mobile number provided for purposes of voting at the AGM.

☐**NOTES:**

1. If a member is unable to attend the AGM personally, this proxy form should be completed and returned to reach the Company's share registrar, Image Registrars Limited, 5th Floor, ABSA Towers (formerly Barclays Plaza), Loita Street, P.O. Box 9287, GPO 00100, Nairobi, or via email to info@image.co.ke or BATshares@image.co.ke to arrive not later than 9:00 a.m. on 13 June, 2023 i.e. 2 working days before the meeting or any adjournment thereof.
2. In case of a member being a corporate body, the proxy form must be under its common seal or under the hand of an officer or duly authorised attorney of such corporate body.
3. As a shareholder you are entitled to appoint one or more proxies to exercise all or any of your shareholder rights, to attend and to speak and vote on your behalf at the meeting. The appointment of the Chairperson of the meeting as proxy has been included for convenience. To appoint as a proxy any other person, delete the words "the Chairperson of the Meeting or" and insert the full name of your proxy in the space provided. A proxy need not to be a shareholder of the Company.
4. Completion and submission of the proxy form will not prevent you from attending the meeting and voting at the meeting in person, in which case any votes cast by your proxy will be excluded.
5. To be valid, the proxy form should be completed, signed and delivered (together with a power of attorney or other authority (if any) under which it is assigned, or a notarised certified copy of such power or authority), to Image Registrars, ABSA Towers (formerly Barclays Plaza), 5th Floor, Loita Street and address P.O. Box 9287-00100 Nairobi, not later than 9:00 am on 13 June 2023 or, in the case of a poll taken subsequent to the date of the meeting, or any adjourned meeting, not less than 24 hours before the time appointed for the taking of the poll which is taken more than 48 hours after the day of the meeting or adjourned meeting.
6. In the case of a company being a shareholder then this proxy form must be executed under its common seal or signed on its behalf by an officer of that company or an authorized attorney for that company.
7. A vote "abstain" option has been included on the form of proxy. The legal effect of choosing this option on any resolution is that you will be treated as not having voted on the relevant resolution. The number of votes in respect of which votes are withheld will, however, be counted and recorded, but disregarded in calculating the number of votes for or against each resolution.
8. The proxy form completed by members must be lodged at the Share Registrar, Image Registrars Limited, 5th Floor ABSA Towers (formerly Barclays Plaza), Loita Street, Nairobi, or to be posted so as to reach Image Registrars Limited, P.O. Box 9287 – 00100 GPO Nairobi, or by email to info@image.co.ke or BATshares@image.co.ke, not later than 9:00 a.m. on Tuesday, 13 June 2023, failing which it shall be invalid.
9. In case of a Corporation, the proxy form must be under its common seal.

NOTES







HEAD OFFICE

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