



**PRESS RELEASE: BAT KENYA LAUNCHES NEW EVOLVED STRATEGY AND IDENTITY AS IT UNVEILS NEW KSh 2.5 BILLION TOBACCO-FREE ORAL NICOTINE FACTORY IS ON TRACK TO LAUNCH IN Q3 2020**

**Nairobi, 24 June 2020:** British American Tobacco Kenya plc (BAT Kenya) today held its 68<sup>th</sup> Annual General Meeting (AGM) where the Company unveiled its new corporate purpose: to deliver a better tomorrow by reducing the health impact of its business. BAT Kenya's KSh 2.5bn investment in a world-class modern oral nicotine factory is evidence of the resources that the company is willing to put behind its ambition. The factory is on track to open in Q3 2020 and will be a first of its kind in Africa, serving as a potential export hub for EAC partner states and beyond.

During the AGM, which was held electronically owing to COVID-19 Government restrictions on public gatherings, shareholders ratified a final dividend of KSh 30.00, bringing the total dividend for 2019 to KSh 33.50 per share.

**BAT Kenya's Managing Director, Beverley Spencer-Obatoyinbo commented:**

"We remain fully committed to Kenya. Despite the COVID-19 pandemic, which has presented unique and unprecedented challenges for many businesses in the country, we are pushing forward with our planned investment so that we can help contribute to the country's economic recovery, and signal to the world that Kenya is open for business. Our new oral nicotine manufacturing is testament to our commitment to the Government's manufacturing agenda and is on track for launch in Q3 2020."

"With Kenya becoming a global innovation hub, the BAT Group backed our vision to make Kenya the recipient of the Sh2.5 billion investment in an oral nicotine factory. It was a very competitive process, with other BAT Group companies putting forward their own business cases and seeking similar investments. This factory will increase our manufacturing and exports footprint, create more jobs, and meet the needs of Kenyan consumers for greater choice, more innovation and less risk.

"Despite this investment and strong business performance, BAT Kenya remains concerned by the impact of illicit trade in Kenya, where one in ten cigarettes now smoked is illegal. Unfortunately, the recent declines in the incidence of illicit cigarettes originating from Kenya has been almost entirely offset by the increase in the volume of tax-evaded cigarettes coming into Kenya across the Ugandan border, which by our estimate now accounts for approximately 90% of all tax-evaded



cigarettes sold in Kenya. These are predominantly cigarettes comprised of non-Kenyan tobacco leaf. The illegal sales are therefore adversely impacting, not just government revenues and local manufacturers, but also Kenyan tobacco farmers by impacting demand for Kenyan leaf.

“Tobacco taxes declined in 2019, despite a significant increase in excise duty. This confirms the reality that increased tobacco excise is no longer translating into increased government revenues in Kenya. Instead, it is increasing the incentive for smugglers to bring in duty-evaded product from neighboring countries and for affordability-stretched consumers to purchase smuggled products.

“Kenya’s ratification of the WHO’s Illicit Trade Protocol (ITP) was an important step towards combatting the illicit trade, and we now urge the Kenyan authorities to increase border controls and enhance their cooperation with their Ugandan counterparts to stem the flow of these products into Kenya and stomp out the criminal tobacco trade. It’s also vital that our neighbours in the East Africa Community expedite ratification of the ITP.”

**BAT Kenya Chairman, George Maina said:**

“Whilst sustainability has always been important to us, BAT Kenya’s evolved strategy places it front and centre in all that we do. Our commitment to reducing the health impacts of the business is supported by a wider sustainability agenda that prioritises environmental, social and governance (ESG) measures.

“To date, BAT Kenya has maintained its status as a zero-waste manufacturer by achieving a 100% waste recycling rate. On the environmental front, we have already planted over 2 million trees in the first half of 2020, adding to the more than 50 million trees planted since 1978. BAT Kenya also remains as steadfast as ever in its commitment to Kenyan agriculture, partnering with approximately 4,300 local farmers to supply tobacco for its existing cigarette business. This is on top of over 80,000 trade and business partners and over 1,800 people employed directly or indirectly in Kenya.

“We are accelerating the transformation of our industry through our new strategy to deliver a better tomorrow for our Kenyan stakeholders: from our consumers to our local communities. At the core of this strategy is our ambition to reduce the health impacts of our business by offering our consumers a greater choice of innovative and less risky products. Our new modern oral nicotine products are central to this ambition. Further, we will enhance and bring forward our ESG targets as we remain committed to delivering a positive social impact and ensuring robust corporate governance across the Business.”

**-Ends**

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**ABOUT BAT KENYA**



British American Tobacco Kenya plc (BAT Kenya), is a limited liability company duly incorporated under the provisions of the Kenyan Companies Act. The company was established in Kenya in 1907 and has been listed on the Nairobi Securities Exchange (formerly Nairobi Stock Exchange) since 1969. It has approximately 5,000 shareholders around 4,000 of whom are local shareholders. The company is in the business of tobacco farming, tobacco processing, cigarette manufacture and the exporting and selling of cigarettes, other tobacco products and modern oral nicotine products.

As part of BAT Kenya's tobacco growing operations, we partner with over 4,300 contracted farmers in the counties of Bungoma, Busia, Migori, Homa Bay, Meru, Embu and Tharaka Nithi. In the 2019 tobacco growing season, our farmers delivered 8.9 million tonnes of leaf and received KSh 1.5 billion in payment. BAT Kenya has generated direct and indirect employment opportunities for more than 80,000 Kenyans through tobacco farming, tobacco processing, cigarette manufacturing, tobacco product distribution, urban and rural retailing, wholesale trade, transport, logistics and domestic procurement. BAT Kenya currently employs about 400 permanent employees and has a manufacturing plant in Nairobi. This is a strategic manufacturing hub for the British American Tobacco Group, exporting more than 60% of its finished products to 11 countries in Africa.

BAT Kenya has contributed to Kenya's economic growth through its continued and systematic year-on-year investments. Over the past 5 years, it has invested over KSh 8 billion in tobacco farming and processing including at the Green Leaf Threshing Plant in Thika and the cigarette manufacturing factory in Nairobi. In the past 5 years, BAT Kenya contributed over KSh 90 billion to national revenue through various taxes (Excise Duty, Value Added Tax (VAT), Pay as You Earn (PAYE) and Corporation Tax).

BAT Kenya operates a sustainable business and invests in various initiatives to reduce the impacts of its business and contribute to the development and protection the communities and ecosystems in which it operates. The Company drives various programmes in Sustainable Agriculture and Environmental conservation, including afforestation activities through which it has recorded over 50 million surviving trees planted since 1978.

