



Combined Annual and Sustainability Report 2024



**A Better  
Tomorrow™**

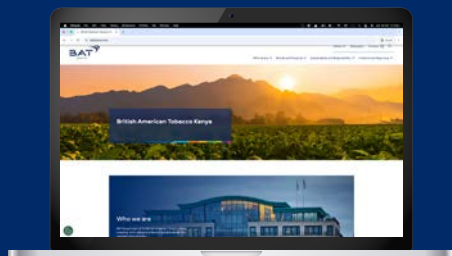
**A refined purpose:**

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

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

Now is the time to take a step forward.

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



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

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

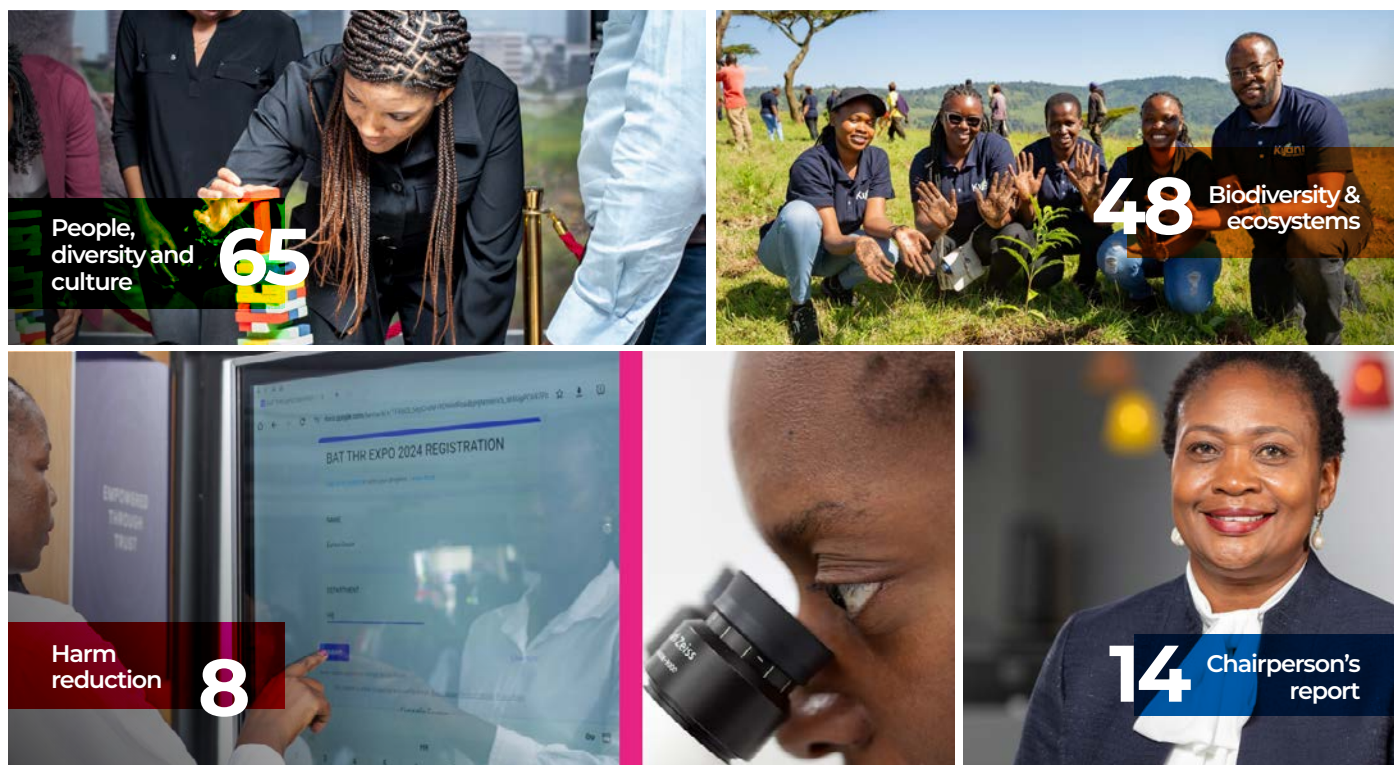
**A world where smokers  
have migrated from  
cigarettes to Smokeless  
alternatives.**

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

**A world where smokers  
make a switch to better.**



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# British American Tobacco Kenya plc

## Combined Annual and Sustainability Report 2024

This is the Combined Annual and Sustainability Report (Combined Report) of British American Tobacco Kenya plc (BAT Kenya), comprising the Strategic Report, Sustainability Report, Governance Report and Audited Financial Statements for the year ended 31 December 2024.

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

Whereas the Sustainability Reports of the Company, covering the years 2022 and 2023 were standalone publications, this report combines the Annual, Financial and Sustainability Reporting for 2024. It provides a progress update and disclosure on our financial and sustainability performance and further, demonstrates our approach and commitment to continually integrate sustainability practices in our business.

This Combined 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 this Combined Report is emailed to shareholders with valid email addresses in the database of our Shares Registrar. A digital copy can also be accessed on our website [www.batkenya.com](http://www.batkenya.com).

### Cautionary Statement

The material in this Combined 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.

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

The Sustainability Report in this Combined Report may contain corrections and restatements of information provided in previous Reports.

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

### Statement of Use

BAT Kenya has prepared this Combined Annual and Sustainability Report for the period 1 January to 31 December 2024, with reference to the Global Reporting Initiative (GRI).

External assurance has not been conducted for the Sustainability Report. However, the Financial Statements have been audited by KPMG Kenya, who have expressed an unqualified audit opinion.



## Overview

## Corporate Information

## Board of Directors

Rita Kavashe*	(Chairperson)
Crispin Achola**	(Managing Director)
Philemon Kipkemoi**	(Finance Director)
Dr. Macharia Irungu*	
Dr. Martin Oduor-Otieno*	
Samuel Onyango*	
Marion Gathoga-Mwangi*	
Paul Muthaura*	
Phyllis Wakiaga*	
Waeni Ngea	(Company Secretary)

## Audit &amp; Risk Committee

Dr. Martin Oduor-Otieno*	(Chairperson)
Samuel Onyango*	
Marion Gathoga – Mwangi*	
Paul Muthaura*	
Waeni Ngea	(Committee Secretary)

## Nominations &amp; Governance Committee

Rita Kavashe*	(Chairperson)
Dr. Macharia Irungu*	
Paul Muthaura*	
Waeni Ngea	(Committee Secretary)

## Remuneration Committee

Marion Gathoga-Mwangi*	(Chairperson)
Phyllis Wakiaga*	
Samuel Onyango*	
Crispin Achola**	
Philemon Kipkemoi**	
Wendilene Balie	(Committee Secretary)

\* Independent Non-Executive Director

\*\* Executive Director

## Company secretary

Waeni Ngea  
C/O British American Tobacco Kenya plc  
08 Likoni Road, Industrial Area  
P.O Box 30000-00100, GPO  
NAIROBI

## External Auditor - Financial Statements

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

## Principal Advocates

Dentons Hamilton Harrison & Mathews  
Wing A, 1<sup>st</sup> Floor  
Delta Office Suites  
Waiyaki Way  
P.O Box 30333-00100  
NAIROBI

Kaplan & Stratton Advocates  
Williamson House  
4<sup>th</sup> Ngong Avenue  
P.O. Box 40111-00100  
NAIROBI

Iseme, Kamau and Maema Advocates  
Tower A, 5<sup>th</sup> Floor 5<sup>th</sup> Ngong Avenue,  
off Bishops Road  
P.O Box 11866

## Principal Bankers

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

## Shares Registrar

Image Registrars Limited  
5<sup>th</sup> Floor, ABSA Towers  
(formerly Barclays Plaza)  
Loita Street  
P.O Box 9287-00100  
NAIROBI

## Registered Office

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

## Overview

## BAT at a Glance



Table 2: BAT Kenya at a Glance



As at 31 December 2024

BAT has a long history and rich heritage in Kenya, having commenced operations in Kenya in 1907. BAT Kenya has been listed on the Nairobi Securities Exchange since 1969 and has 6,071 shareholders, of whom 5,930 are local shareholders. The Company is in the business of tobacco farming and processing, manufacturing, sale and export of cigarettes and other nicotine products.

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

We are a strong, forward-looking Company with a proven strategy to deliver sustained value for our stakeholders. Our diverse strengths - our strong heritage, unique brands, new product innovations and 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 most of Kenya's adult smokers, with a variety of brands sold

in the Kenyan market. The Company also serves as a manufacturing hub for domestic sale and export to BAT markets in East and Southern Africa and beyond.

Our business contributes to Kenya's socio-economic development in various ways, including supporting the livelihoods of over 80,000 trade and business partners and 1,870 tobacco farmers concentrated in the counties of Meru, Bungoma, Busia, Migori and Homa Bay. We also provide direct and indirect employment opportunities for over 1,800 people.

\* As at 20 February 2025

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

## Overview



Our Sustainability Agenda is aligned to the BAT Group's strategic impact areas, which are *Tobacco Harm Reduction, Climate, Nature, Circularity and Communities*. We registered various milestones in this realm as demonstrated in this report, including kicking off our Tobacco Harm Reduction journey with the introduction of an oral nicotine product in 2019 (not on sale in 2024). Further we have reduced our Scope 1 and 2 emissions, sustained progress on our water stewardship and waste management efforts, as well as Diversity and Inclusion performance.

BAT Kenya is also a leading employer in the region. The Company has been certified seven consecutive times (2018 to 2024) as a Top Employer in Kenya and Africa, by the global Top Employers Institute. On the diversity and inclusion front, we have seen sustained progress, specifically in the representation of women in the organisation. We are also accelerating progress in the representation of Persons with Disabilities in the organisation. As part of this, we are a member of the Kenya Business and Disabilities Network (KBDN), an organisation that champions workplace inclusivity for Persons with Disabilities.





## Overview

## About our Business

### Regulatory landscape

While we are subject to the general regulatory frameworks that apply to all businesses, certain regulation is specific to our business, key being the Tobacco Control Act, 2007 (TCA) and Tobacco Control Regulations, 2014 (TCR).

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

As important, we operate our business in line with the BAT Group Standards of Business Conduct (SOBC), which we have adopted locally. The SOBC sets high standards of responsible behaviour and comprises the Group's core policies for all Group companies worldwide, including on human rights, anti-bribery and corruption, and anti-illicit trade.

Further to the TCA and TCR, the sale of our products is governed by the BAT Group's Responsible Marketing Principles (RMP). A fundamental requirement of the RMP is that our tobacco and nicotine products should be sold responsibly to adult consumers only and are not designed to appeal to underage persons.

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

We are committed to, and complying with all applicable laws, and BAT policies and guidelines.

### Our consumer-centric multi-category product portfolio

BAT Kenya's product portfolio in 2024 comprised a range of high-quality cigarette brands. While the Company rolled out a reduced-risk\* product (BAT's oral nicotine pouches)

in 2019, the category has been impacted by regulatory uncertainty and as such, our product was not on sale in 2024. The introduction of Smokeless products into the Kenyan markets reflects our commitment to meet the preferences of today's adult smokers, while transforming our business by adapting to consumer and market changes with innovative nicotine products.

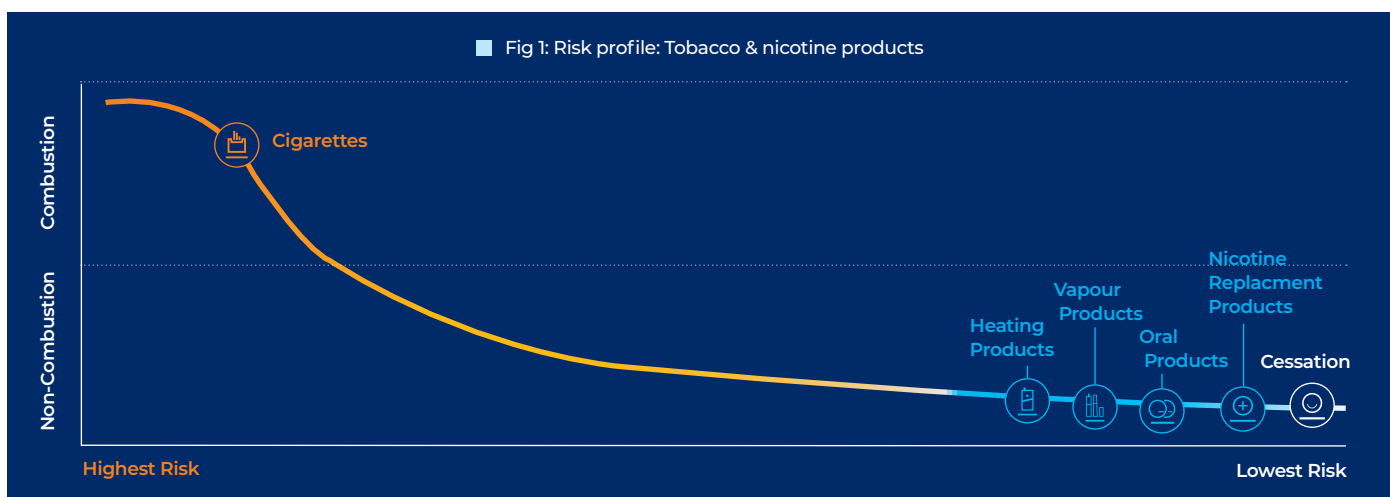
### Tobacco Harm Reduction

Tobacco Harm Reduction (THR) is a public health policy that aims to minimise the population level harm associated with using tobacco, through enabling adult consumers who would otherwise continue to smoke, to switch to alternative forms of tobacco and nicotine products that have a lower risk\* profile, in comparison to cigarettes.

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. BAT seeks to actively migrate adult smokers from cigarettes to Smokeless alternatives. These products include Heating Products (HP), Vapour Products commonly referred to as e-cigarettes and oral nicotine products (nicotine pouches). BAT is also very clear that Smokeless products are not risk-free. The best choice any adult smoker can make will always be to quit combustible tobacco products completely.

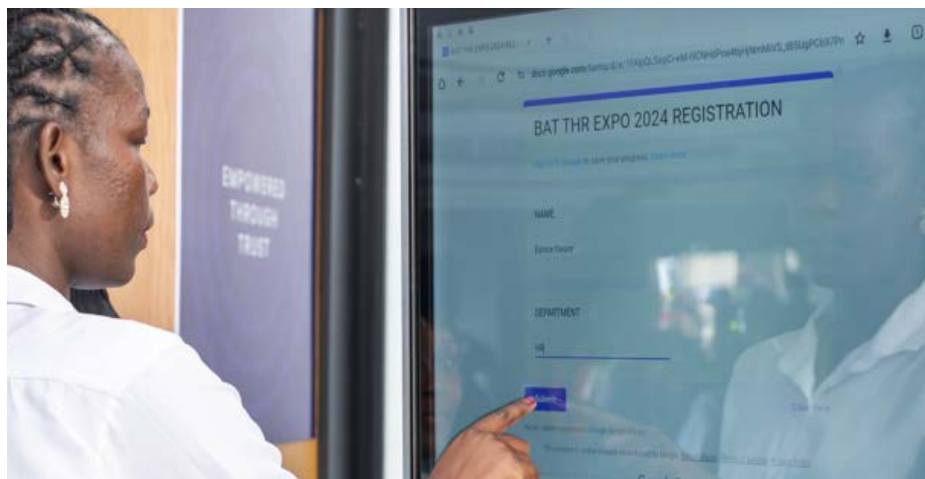
Globally, Tobacco Harm Reduction acceptance is not without roadblocks. For BAT, achieving its THR ambition requires appropriate regulation and public health policies, as well as changes in consumer behaviour and society itself. In Kenya, this includes introducing regulation that differentiates Smokeless products from cigarettes to enable smokers to switch, as well as working deliberately towards THR acceptance.

The image below (Fig 1) provides a snapshot of the risk profile of tobacco and nicotine products, demonstrating



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

## Overview



the comparative health risks of tobacco and nicotine products. BAT believes that progressive, evidence-based regulation – supported by meaningful enforcement – is the key to reducing smoking rates.

For THR to be effective, alternatives that deliver comparable nicotine delivery, use and sensorial aspects are needed to facilitate transition by adult smokers.

THR is a public health policy first described by the U.S Institute of Medicine<sup>1</sup> and is aligned to the World Health Organization's plan and governmental public health strategies on tobacco, to enable national smoking rates to be lower than 5%.<sup>2</sup>

Given Kenya's position as a leading economy in the region, our government has a real chance to lead in reducing tobacco-related harm, by introducing regulations that differentiate between traditional cigarettes and Smokeless products, enabling awareness and access for adult smokers who do not otherwise quit nicotine.

#### World class science

Science and innovation are at the heart of BAT's transformation journey, to make a Smokeless world a reality. BAT's research in Smokeless products not only focuses on compliance with regulation, but also contributes valuable data to the scientific community. BAT's research follows standardised regulatory – endorsed methodologies where those exist, in line with requisite quality standards and practices (e.g. good laboratory practice and good clinical practice) and where possible, are conducted through third party contract research organisations.

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

Fig 2: Omni

Vaping is credited with helping

**50,000**  
to  
**70,000**

people stop  
smoking every year.

E-cigarettes are  
likely to be

**95%**

less harmful  
than smoking

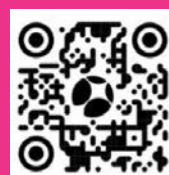
## Introducing the Omni™

In 2024, the BAT Group set out its vision to build A Smokeless World by introducing Omni™, a progress summary of its efforts to create A Better Tomorrow™. Omni™ openly addresses the big questions facing our organisation and provides an overview of the science supporting BAT's Smokeless products. It also summarises the global THR evidence base compiled over the last decade.

Omni™ is an evidence-based manifesto for change, which captures BAT's commitment and progress towards Building a Smokeless World to create A Better Tomorrow™

**Omni™**

[www.asmokelessworld.com](http://www.asmokelessworld.com)



1 The Omni™ page 34

2 The Omni™ page 39

## Overview

### Enabling consumer choice

To drive THR and deliver our purpose, BAT Kenya is transforming into a truly consumer-centric multi-category consumer products business. In 2019, the Company introduced Velo<sup>3</sup>, BAT's oral nicotine pouches in Kenya. Subsequently, we recorded positive commercial results while the product was in market, establishing Velo as the preferred choice for consumers.

However, sustained uncertainty relating to the country's regulatory framework for the oral nicotine category resulted in supply disruption of Velo to the market. Additionally, it impeded our ability to commercialise our oral nicotine pouch factory in Nairobi, which would otherwise, unlock manufacture for both domestic and export markets and enhance our contribution to the country's economic growth. In 2024, the Company accepted offers for disposal of related machinery to protect shareholder value.

We continue to engage transparently and contribute to national policy dialogue for a sustainable regulatory framework, that will facilitate the resumption of our modern oral nicotine category.

### Tobacco Farming

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

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

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

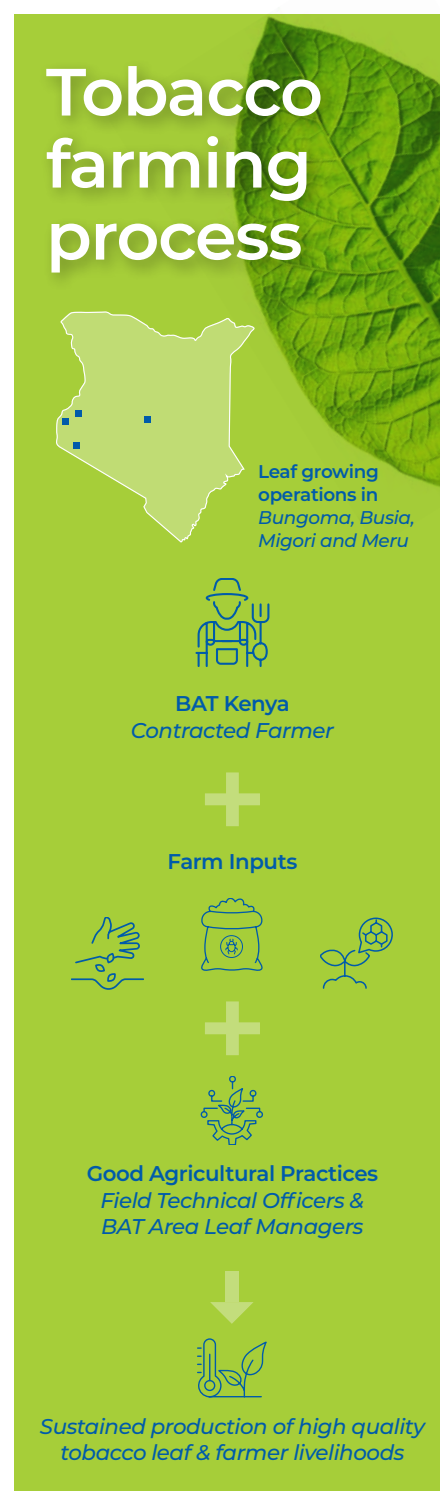
The tobacco leaf growing season at BAT Kenya begins with farmer selection and contracting. Subsequently, the Company issues farmers with crop and farm inputs, including tobacco seeds, agrochemicals, fertilizer, lime (as may be required) and personal protective equipment (PPE) for agrochemical application and tobacco harvesting.

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

Upon harvesting by farmers, tobacco leaf goes through a process called curing (it is during curing that tobacco taste is developed) where the tobacco leaves are dried in a controlled environment to prepare them for processing at our Green Leaf Threshing Plant (GLTP) in Thika.

Subsequently, we purchase the cured tobacco from our farmers, upon which it is stored in warehouses and transported to the GLTP, where it is prepared to produce cigarettes products.

During the growing stage, tobacco is in the soil for six months, after which it is harvested and cured for about three months. We encourage our farmers to grow alternative crops after harvesting tobacco, to enhance food security and soil nutrition. To facilitate this, we provide subsistence crops, including certified maize seeds at no cost. Additionally, depending on the season, to further enhance crop diversification, we provide other crops and plants at market competitive rates, such as avocados and vegetable seeds.



3 Initially launched as LYFT.



## Overview



### Sustainable Tobacco Programme

Sustainability is an important part of our tobacco leaf growing process. It involves protecting the quality of the tobacco leaf, reducing environmental risks, helping to ensure the safety of our directly contracted farmers and their workers, and improving farmer livelihoods.

Through the BAT Group, BAT Kenya participates in the industry-wide Sustainable Tobacco Programme (STP), an initiative that seeks to enable agricultural supply chain due diligence and accelerate positive impacts on social and environmental footprints. The STP is aligned with various external standards including the International Labour Organisation (ILO) and the United Nations Guiding Principles on Business and Human Rights.

### Manufacturing excellence

Consumers are at the heart of our business and we endeavour to provide them with the highest quality products.

Our cigarette manufacturing factory in Nairobi's Industrial Area and Green Leaf Threshing Plant in Thika, form a key hub for BAT's global business. We continue to invest in this operational infrastructure to build future-fit capabilities and deliver world – class results. In recognition of this, we have received various accolades internally and externally including at the annual Energy Management Awards hosted by the Kenya Association of Manufacturers (KAM). This has notably been in the areas of energy management, renewable energy, sustainable high-performance, and thermal savings.

A key component of our manufacturing efficiency is the BAT Group's Integrated Work Systems (IWS) tool anchored on four pillars i.e., people, structure, process and culture. The aim is to deliver sustainable business results by embracing a Zero Loss Mentality and 100% Employee Involvement. With this framework, all employees actively participate in identifying loss areas and generating new innovative solutions to eliminate losses and drive productivity.

In 2024, the Nairobi factory's annual Overall Equipment Efficiency (OEE) rate was 68% vs a target of 69%. Civic

demonstrations in the first half of the year interrupted smooth running of the factory, impacting the OEE. However, the factory delivered a Mean Time Between Failure performance from 16 minutes in 2023 to 29 minutes in 2024, a 75% improvement.

Additionally, we set a new monthly OEE performance record of 75.61% against the set target of 80% by 2025 (previous record: 73.75%). For the manufacturing machinery, our factory team achieved a monthly MTBF rate of 50.1 minutes from a previous record of 20.18 minutes in 2023.

This demonstrates employee capabilities in identifying losses in both processes and machinery. Notably, IWS-driven loss elimination delivered productivity savings of KShs 845 million from process improvements, waste reduction and energy saving initiatives.



## Overview

In 2024, we invested in building the technical and leadership skills of our teams through the following training:

- *Loss elimination/ unified problem-solving.* To enhance the teams' capabilities to identify losses during the manufacturing process, how to eliminate them, and create standards to ensure non re-occurrence in future.
- *High Performance Organisations (HPO) training.* To enable the manufacturing and supply chain team's understanding of the principles of HPO e.g. respecting the capabilities of all employees, operating in a principle-based operation, the power of teamwork, sustainable decision making and continuous improvement.
- *Digitalisation and automation training.* To drive the elimination of losses experienced in manual processes.
- *Financial training.* To enhance their business acumen and facilitate a wholistic business driven approach to their work.

### Business Continuity Planning (BCP)

Our business and operating environment is continuously evolving, requiring us to be mindful of both internal and external factors that influence our operations.

In 2024, global challenges such as geopolitical instability driven by ongoing elections, conflicts, terrorism, cyber-attacks, technology disruptions, extreme weather events due to climate change, energy shortages, widespread infectious disease outbreaks, global economic uncertainty, and increasingly unpredictable regulatory changes all contributed to a complex and threatening landscape.

The rising frequency of such disruptive events highlights the critical need for Business Continuity Management Systems (BCMS) in forward-thinking organisations.

For BAT Kenya, severe weather events including disruptive floods and infrastructure damage, large scale civil unrest, insecurity, and unpredictable government driven fiscal policies presented significant risks to our organisation, leading to operational and supply chain disruptions, and ultimately an increase in the cost of doing business. However, our BCM program facilitated the businesses' successful navigation of these disruptions, through the activation of Business Continuity responses, commensurate to the risks.

BAT Kenya is a future-fit organisation that continually seeks to integrate the Business Continuity planning into all its strategies in order to remain adaptable and resilient in

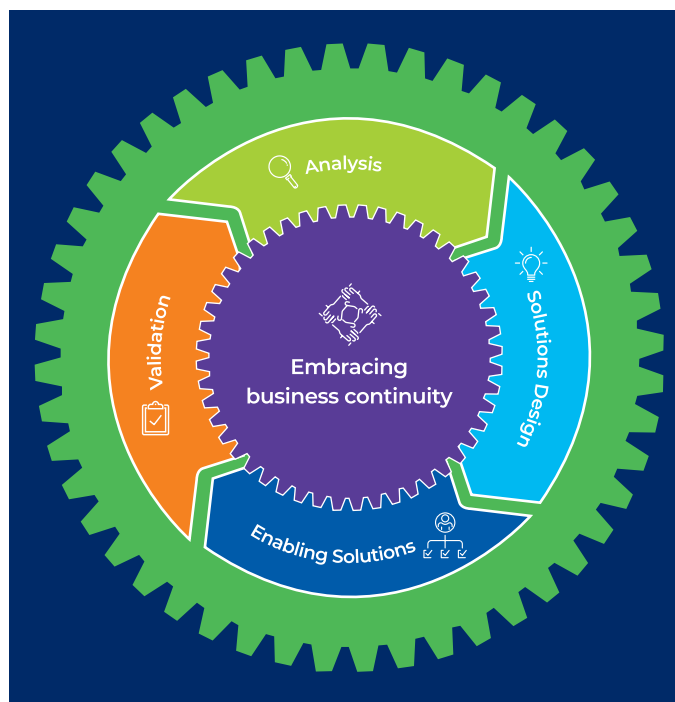
the face of an increasing volatile, uncertain, and complex operating environment. This approach has bolstered the resilience of our organisation, enabling the business to proactively prepare for, and maintain controls and capabilities to respond effectively and consistently deliver value in spite of disruptions and adverse events.

The Company's BCMS aim to protect our people, assets, information, operations, and reputation whilst minimising the financial impacts. In line with this, our BCMS strategic objectives are to:

- Reduce the potential of business interruption occurring.
- Ensure that the business can respond effectively and deliver timely recovery from any business interruption to an acceptable pre-defined level.
- Maintain (and seek to improve) market position in the event of a business interruption.
- Ensure continued operation and viability of the business, and sustained delivery of shareholder value in the event of a business interruption.

We have embraced a strong Business Continuity (BC) culture and consistently drive this in various ways, including through induction awareness for new personnel, ongoing training for those with responsibilities in BC, testing and exercising of BC plans and systems.

We monitor and audit BCMS governance controls regularly to drive compliance and quality assurance of reporting in line with the applicable business governance requirements.





## Overview

Below is a summary of select contingency plans.

Table 3: Business Contingency Plans

Mandated plans	Components
Denial of Site	<ul style="list-style-type: none"> <li>Premises recovery</li> <li>Loss of key staff</li> <li>Information Digital Technology (IDT) remote working plan</li> </ul>
Crisis Management	<ul style="list-style-type: none"> <li>Crisis management structure</li> <li>Crisis communications</li> </ul>
IT Service Continuity (ITSC)	<ul style="list-style-type: none"> <li>IT service continuity</li> </ul>
Supply Chain	<ul style="list-style-type: none"> <li>Finished goods contingency sourcing plan</li> <li>Wrapping materials sourcing plan</li> <li>Primary supply chain</li> <li>Secondary supply chain</li> </ul>
Manufacturing	<ul style="list-style-type: none"> <li>Manufacturing recovery plan</li> </ul>
Product recall	<ul style="list-style-type: none"> <li>Product recall plan</li> </ul>
Pandemic Plan	<ul style="list-style-type: none"> <li>Pandemic plan</li> </ul>
Security Plans	<ul style="list-style-type: none"> <li>Civil disorder (Evacuation plan)</li> <li>Natural event management plan</li> </ul>





## Chairperson's Report

“

**Our Combined Annual and Sustainability Report gives a detailed view of BAT Kenya's performance on its business strategy. It also outlines our progress towards our purpose of creating A Better Tomorrow™ by Building a Smokeless World.**

”

**Rita Kavashe**  
Chairperson



On behalf of the Board, Management, and employees, I am pleased to present BAT Kenya's inaugural Combined Annual and Sustainability Report for the year ended 31 December 2024.

In 2024, the Company marked another year of significant challenges characterised by both economic and political volatility. Various headwinds exacerbated by illicit trade, cost inflation pressures, supply disruptions, forex scarcity and adverse weather, alongside geopolitical tensions, impacted consumer purchasing patterns and resulted in a volume decline for our Business.

Despite these challenges, our business demonstrated resilience and delivered strong results. We remain confident in navigating the operating environment and driving sustained shareholder value.

### Transforming with purpose

The BAT Kenya Board is committed and has the responsibility to ensure that the Company delivers for its stakeholders. Having commenced our journey to create A Better Tomorrow™ in 2020, we harnessed our efforts towards achieving the ambitions set out in the Group's refined strategy. This enabled us to navigate transformation with focus, enhanced execution and resilience in 2024. We enhanced our understanding of adult consumers on our ever-evolving industry, whilst working to navigate regulatory uncertainty of Smokeless products in Kenya, which impacted our business in 2024.

### Driving sustainable change

Our Combined Annual and Sustainability Report gives a detailed view of BAT Kenya's performance on its business strategy. It also outlines our progress towards the BAT Group's purpose of creating A Better Tomorrow™ by Building a Smokeless World.

This is the first year that we have included our sustainability disclosures into our

## Overview

Annual Report. It is also a year when the BAT Group has refined its sustainability strategy, demonstrating ongoing efforts to create a meaningful impact. BAT Kenya's approach to sustainability is aligned to the Group's Sustainability Strategy, which is adapted to meet local priorities.

BAT Kenya's sustainability performance report is structured by our material topics, which include, Harm Reduction, Environmental Management, Farmer Livelihoods, People, Diversity and Culture, and Ethics & Compliance.

Some key sustainability milestones in 2024 include:

- 69% representation of women in senior Leadership Teams.
- 54% reduction in Scope 1 and 2 emissions (vs 2020 baseline).
- 98.5% waste recycled.
- 36.6% total water recycled.
- 98.9% of tobacco farmers growing alternative crops.

Read more about our Sustainability performance on page 37 of this report.

### Building a smokeless world

BAT's purpose is clear: To create A Better Tomorrow™ by Building a Smokeless World. As such, reducing the health impact of our business remains a prominent focus for us. Whilst not risk free, a growing evidence base suggests that alternative nicotine products such as oral nicotine pouches may present significantly reduced risk\* compared with cigarettes, for smokers who switch exclusively.

Sustainable regulation that is based on science is key to unlocking the potential for smokeless products in Kenya, a message that we continue to deliver through participation in national dialogue and transparent engagement with policy makers.

### Our values and culture

BAT's values act as a clear and authentic guide to shape the Company's culture and behaviours. They underpin our purpose for A Better Tomorrow™ and our ambition to build a Smokeless World. They have a clear connection with our strategy and purpose, emphasising diversity and inclusion; empowerment and collaboration; and organisational agility, to deliver sustainable growth.

The BAT Group believes that 'Tomorrow Can't Wait', the new Group Employer Value Proposition (EVP). Aligned to this, we are committed to delivering an excellent experience for all our employees today, as we accelerate the transformation of our Business for the future. BAT Kenya is aligned to the Group's EVP

which we believe will not only help us continue to attract the best talent, but also empower our People to continue driving meaningful change within our organisation and the broader industry. I commend the Management on their continued efforts to build a more a dynamic organisation and purposeful place to work where people are central to strategic delivery and continued business success.

Read more about our People agenda in our Sustainability Report on page 34 to 79.

### Dividend

Reflective of our commitment to deliver sustained value for shareholders, the Board of Directors has maintained its dividend commitment. We recommended a final dividend of KShs 45.00 per share for 2024. The dividend, subject to shareholder approval, will be payable net of Withholding Tax on or about 25 June 2025 to shareholders on the register at the close of business on 23 May 2025. The final dividend, added to the interim dividend already paid, gives a total dividend of KShs 50.00 per share.

### Board changes

During the year under review, the Board bid farewell to Peter Mwangi who resigned as a Non-Executive Director effective 27 June 2024, following his retirement from the Board. Peter served in this capacity since his appointment in 2015, making an invaluable contribution to the success of the Company. The Board extends its appreciation to Peter and wishes him the very best in his future endeavours.

### Summary and outlook

Meeting the evolving needs of our consumers remains our key focus in 2025, in addition to positioning BAT Kenya to deliver for investors, wider stakeholders, and creating a purpose driven business for our employees.

BAT Kenya's Board and Leadership Team are focused on and confident in the Company's ability to deliver long-term, sustained value, while delivering A Better Tomorrow™. We are optimistic for the future on the back of demonstrated resilience, solid fundamentals, driving innovation, nurturing our brands, and having in place the right people to deliver the transformation of our business.

Lastly, I extend my gratitude and appreciation to the Board of Directors, Leadership Team, employees, strategic partners, shareholders, and all our stakeholders for their contribution to our resilient performance in 2024.

## Taarifa ya Mwenyekiti

“

**Ripoti yetu ya Kwanza ya Mwaka na Uendelevu inatoa mtazamo wa kina kuhusu utendaji wa BAT Kenya katika utekelezaji wa mkakati wake wa biashara. Pia inaangazia maendeleo yetu kuelekea kutimiza dhamira yetu ya kuunda Siku Bora Zijazo kwa Kujenga Ulimwengu Usio na Moshi.**

”

**Rita Kavashe**  
Mwenyekiti



Kwa niaba ya Bodi, Usimamizi na wafanyakazi, nina furaha kuwasilisha Ripoti ya Kwanza ya Mwaka ya Ujumla na Uendelevu ya BAT Kenya, kwa mwaka uliomalizika tarehe 31 Desemba 2024.

Mwaka wa 2024, Kampuni ilikumbana tena na mwaka mwingine wa changamoto kubwa, uliodhihirishwa na hali ya uchumi na siasa zisizotabirika. Vikwazo mbalimbali kama vile biashara haramu, shinikizo la ongezeko la gharama, usumbufu wa usambazaji, uhaba wa fedha za kigeni, hali mbaya ya hewa pamoja na mivutano ya kisiasa ulimwenguni, viliathiri tabia za matumizi ya wateja na kwa hivyo kuathiri biashara yetu.

Licha ya changamoto hizi, biashara yetu ilibaki imara na kufanikisha matokeo thabiti. Tunaendelea kuwa na imani ya kuabiri mazingira haya ya kibiashara kwa mafanikio na kutoa thamani endelevu kwa wanahisa wetu.

### Kubadilika kwa Kusudi Mahususi

Bodi ya BAT Kenya imebeba jukumu la kuhakikisha kuwa kampuni inawajibika kwa wadau wake. Tangu kuanzishwa kwa dhamira ya Siku Bora Zijazo mwaka wa 2020, kampuni imekuwa ikitekeleza mkakati mpya wa Kikundi kwa lengo la kujenga Ulimwengu Usio na Moshi. Katika mwaka wa 2024, tulifanikiwa kuabiri mabadiliko kwa umahiri, ufanisi na ustahimilivu.

Tuliimarisha uelewa wetu kuhusu watumiaji watu wazima katika sekta inayobadilika kwa kasi, huku tukijitahidi kuelewa mazingira ya udhibiti kuhusu bidhaa zisizo na moshi nchini Kenya – hali iliyokuwa na athari kubwa kwa biashara yetu katika kipindi hiki.

### Kuongoza Mabadiliko Endelevu

Ripoti hii ya Mwaka na Uendelevu inaonyesha kwa kina utendaji wa BAT Kenya kulingana na mkakati wa biashara, sambamba na maendeleo yetu kuelekea kutimiza dhamira ya Kikundi ya kujenga Siku Bora Zijazo Kupitia Ulimwengu Usio na Moshi.



## Overview

Kwa mara ya kwanza, ripoti hii inajumuisha taarifa za uendeleu pamoja na taarifa za kifedha. Katika mwaka huu, Kikundi cha BAT pia kiliboresha mkakati wake wa uendeleu, kikisisitiza dhamira ya kuleta athari chanya kwa jamii. Mbinu ya BAT Kenya kuhusu uendeleu inalingana na mkakati wa Kikundi, lakini imesawazishwa ili kuendana na vipaumbele vya ndani.

Ripoti ya Uendeleu ya BAT Kenya imejengwa kulingana na masuala muhimu ya kimkakati, ikijumuisha: Kupunguza Madhara (Harm Reduction), Usimamizi wa Mazingira, Maisha ya Wakulima, Watu, Utofauti na Utamaduni, pamoja na Maadili na Uzingatiji.

Baadhi ya mafanikio muhimu ya uendeleu katika mwaka wa 2024 ni:

- Uwiano wa wanawake katika Timu za Uongozi wa Juu umefikia 69%
- Upunguzaji wa 54% wa uzalishaji wa gesi chafu (Scope 1 & 2) ukilinganisha na viwango vya 2020
- 98.5% ya taka zimesindikwa upya
- 36.6% ya maji yametumika tena
- 98.9% ya wakulima wa tumbaku walilima mazao mbadala

### Kujenga Ulimwengu Usio na Moshi

Lengo letu ni wazi: kuunda Siku Bora Zijazo kwa Kujenga Ulimwengu Usio na Moshi. Kupunguza athari za kiafya kutokana na shughuli za biashara zetu ni kipaumbele chetu kikuu. Ingawa si salama kabisa, ushahidi unaoongezeka unaonyesha kuwa bidhaa mbadala kama pouchi za nikotini huenda zikawa na hatari ndogo sana kwa wavutaji sigara wanaobadilika kikamilifu.

Kanuni endelevu na zinazozingatia ushahidi wa kisayansi ni muhimu katika kufanikisha upatikanaji mpana wa bidhaa hizi nchini Kenya. BAT Kenya itaendelea kushiriki katika mijadala ya kitaifa na kujihusisha kwa uwazi na watunga sera ili kuendeleza mazungumzo haya.

### Maadili na Utamaduni Wetu

Maadili ya BAT yanaongoza tabia na utamaduni wa shirika letu, yakielekeza jitihada zetu katika kujenga Siku Bora Zijazo na Ulimwengu Usio na Moshi. Maadili haya yameunganishwa moja kwa moja na mkakati wetu na yanasisitiza: Ujumuishwaji na utofauti; Kuwezesha na uwajibikaji; Ushirikiano na wepesi wa shirika.

Kikundi cha BAT kinaamini kuwa 'Kesho Haiwezi Kusubiri', kauli mbiu mpya ya thamani ya mwajiri. Kwa kuzingatia hili, BAT Kenya imejipanga kutoa mazingira bora ya kazi kwa wafanyakazi wake, kuvutia vipaji bora na kuwawezesha watu wetu kuchochea mabadiliko chanya katika shirika letu na sekta kwa ujumla.

Ninapongeza Menejimenti kwa juhudi zao endelevu za kujenga shirika lenye maono, na mahali pa kazi penye lengo la dhati, ambapo watu ndio msingi wa mafanikio yetu.

Soma zaidi kuhusu ajenda yetu ya Watu katika ripoti ya uendeleu, ukurasa 33–81.

### Gawio

Kwa kuonyesha dhamira yetu ya kuendelea kutoa thamani kwa wanahisa, Bodi ya Wakurugenzi imependekeza gawio la mwisho la KShs 50.00 kwa kila hisa kwa mwaka 2024. Gawio hili, iwapo litaidhinishwa na wanahisa, litalipwa baada ya kukatwa kodi ya zuio, mnamo tarehe 25 Juni 2025, kwa wanahisa walioko kwenye rejista kufikia mwisho wa shughuli tarehe 23 Mei 2025.

Gawio la mwisho likijumlishwa na gawio la awali lililolipwa mapema mwaka huo, linatoa jumla ya KShs 45.00 kwa kila hisa kwa mwaka 2024.

### Mabadiliko kwenye Bodi

Katika kipindi cha mapitio, Bodi ilimuaga Peter Mwangi ambaye alijiuzulu kama Mkurugenzi Asiye Mtendaji kuanzia tarehe 27 Juni 2024, kufuatia kustaafu kwake. Peter alihudumu katika nafasi hii tangu mwaka wa 2015, akichangia pakubwa katika mafanikio ya BAT Kenya.

Bodi inamshukuru kwa dhati na kumtakia kila la heri katika mipango yake ya baadaye.

### Muhtasari na Mtazamo wa Mbele

Kukidhi mahitaji ya wateja wetu yanayobadilika ndilo lengo letu kuu kwa mwaka wa 2025, sambamba na kuiweka BAT Kenya katika nafasi bora ya kutoa thamani kwa wawekezaji, jamii, na kuwapa wafanyakazi mazingira yenye maana ya kufanya kazi.

Bodi na Uongozi wa BAT Kenya wanaendelea kujiamini katika uwezo wa kampuni kutoa thamani ya muda mrefu na endelevu huku wakijenga Siku Bora Zijazo. Tumekuwa na msingi imara kupitia ustahimilivu tulioonyesha, chapa zenye nguvu, ubunifu, na timu yenye uwezo wa kubadilisha biashara yetu.

Kwa kumalizia, natumia fursa hii kuwashukuru kwa dhati Bodi ya Wakurugenzi, Timu ya Uongozi, wafanyakazi, washirika wa kimkakati, wanahisa na wadau wote kwa mchango wao katika mafanikio yetu ya mwaka wa 2024.

## Managing Director's Report

“

Our business fundamentals remain solid, anchored on strong foundations. On the back of a refined Group strategy and purpose, we are an organisation focused on delivering accelerated business transformation through reducing the health impact of our business and creating shared value.

”

**Crispin Achola**  
Managing Director



As we present the inaugural Combined and Annual Sustainability Report for BAT Kenya, I am happy to report that despite a challenging external environment, the Company remained resilient and delivered strong results. Highlights of our performance are detailed in the Finance Director's Review.

### A challenging operating environment

#### *Macro pressures and illicit trade*

Macroeconomic pressures were heightened in 2024, coupled with increased incidence of illicit trade in cigarettes. A key risk for our business is increased competition from illicit trade, primarily duty-evaded products smuggled into the country. Illicit cigarette trade in the country has grown from about 27% in June 2023 to approximately 37% in June 2024 (third party research) with an estimated one in every three cigarettes smoked in Kenya being illicit and tax evaded.

### Regulatory uncertainty

In 2024, we continued to grapple with sustained regulatory uncertainty relating to the oral nicotine category.

We recognise and support the objective of governments to reduce smoking rates and associated health impacts. We support regulation that is based on robust evidence, tailored to local circumstances, and delivers on the intended policy aims, while preventing unintended consequences such as the growth in illicit trade.

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

In 2024, we participated as part of industry, in a public participation exercise conducted by the Ministry of Health and the Tobacco Control Board on proposed Graphic Health Warnings for tobacco and nicotine products.

## Overview

Further, BAT Kenya made submissions on the Tobacco Control (Amendment) Bill, 2024 tabled in the Senate of Kenya, following a call for consultation by the Senate Health Committee.

Specifically on Smokeless products, we believe regulation should recognise that Smokeless tobacco and nicotine products are less risky\* than cigarettes and support their use as an alternative for those adult smokers who would otherwise continue smoking combustible products.

It is key to align all stakeholders on the positive public health potential of Smokeless products and encourage the development of effective policies and consumer behaviour that can accelerate Tobacco Harm Reduction.

### Business transformation

#### Quality growth

The Quality Growth pillar of our Group Strategy is the driving force behind our transformation. Key to this is focus on maximising our growth potential through our brands, innovation, efficiency and margin delivery across the business. In 2024, this was anchored on maintaining our competitive edge through our combustible products, and enhanced focus on a sustainable transition to our New Categories portfolio.

Enabling regulation remains key to providing adult consumers with the choice to switch from cigarettes to smokeless alternatives.

#### Dynamic business

The Dynamic Business pillar envisages a future-fit, data-driven organisation; ensuring that we are efficient in all our operations. Our data-driven approach continues to create the financial flexibility we need to invest in our people and products and achieve sustained shareholder value.

Our employees, and other key stakeholders including but not limited to tobacco farmers, as well as trade and business partners, are key to the delivery of BAT's refined strategy. In line with this, in 2024, the BAT Group launched its new Employee Value Proposition (EVP) - *Tomorrow Can't Wait* - underlining our focus on creating a more inclusive culture and investing in purposeful place to work. In recognition of our people agenda, we were certified, for the seventh time in row, as a 2024 Top Employer in Kenya and Africa, by the global Top Employers Institute.

#### A sustainable future

Building a sustainable future is about seeking to actively encourage adult consumers away from cigarettes and to reduced risk\* Smokeless alternatives sustainably, responsibly and with integrity.

In February 2025, the BAT Group published its refined sustainability Strategy, highlighting five (5) Impact Areas: *Tobacco Harm Reduction, Climate, Nature, Circularity and Communities*, which aligns with BAT Kenya's material topics. I am pleased to state that that we are tracking at pace with the goals and ambitions under our material topics, some of which have already been achieved and are captured in the later parts of this Report.

Regarding Communities, efforts to enhance the livelihoods of our farmers continued in 2024, with a focus on enhancing food security through the provision of various subsistence crops, including over 11,650 avocado seedlings at a competitive price. During the year, we continued to facilitate survival monitoring of the avocado trees for participating farmers.

Following the launch of our KShs 10 million Rural Women's Development Programme (RuWDDep) in 2023, I am pleased to update that in 2024, 208 women in our contracted farming community were trained on financial literacy and 395 on women development as part of pilot project. RuWDDep aims at empowering more than 1,600 women from the Oyani and Malakisi tobacco leaf growing communities, who are either women farmers contracted by BAT Kenya or spouses of contracted farmers.

We take pride in our sustainability track record, for which we have also sustained external recognition. This recognition includes awards at the Annual Kenya Association of Manufacturers (KAM) Energy Management Awards, where in 2024, we secured multiple accolades, including overall runners-up in Energy Management for the second year in a row, winners in Renewable Energy, Sustainable High-Performance, and Thermal Savings.

We also reclaimed the Gender and Disability Mainstreaming East Africa Award at the 2024 Gender Mainstreaming Awards and received recognition for our innovation and digital transformation initiatives, winning a total of seven awards during the 2024 CIO Summit. Most notable of this was the Green Edge Award for sustainability initiatives in manufacturing.

#### Looking ahead with confidence

On the back of a refined Group Strategy and purpose, we are an organisation ready to deliver accelerated business transformation.

We will continue to invest in our People, simplify our operations and enhance our sustainability efforts. I look forward to working with all our stakeholders to create A Better Tomorrow™.

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



## Tathmini ya Mkurugenzi Mkuu

“

Misingi ya biashara yetu imesalia thabiti, ikiwa imejengwa juu ya nguzo imara. Kupitia mkakati na dhamira mpya ya Kikundi, tumejikita katika kuharakisha mageuzi ya biashara kwa kupunguza athari za kiafya za shughuli zetu na kuunda thamani ya pamoja kwa wadau wetu.

”

**Crispin Achola**  
Mkurugenzi Mkuu



Tunapowasilisha Ripoti ya kwanza iliyounganishwa ya Mwaka na Uendeleu ya BAT Kenya, nina furaha kuripoti kuwa licha ya mazingira magumu ya nje, Kampuni ilibaki thabiti na kufanikisha matokeo bora. Muhtasari wa utendaji wetu umeainishwa katika Taarifa ya Mkurugenzi wa Fedha.

### Mazingira Magumu ya Uendeshaji

#### *Shinikizo la kiuchumi na Biashara Haramu*

Shinikizo la kiuchumi liliongezeka kwa kiwango kikubwa mwaka wa 2024, likiambatana na kuongezeka kwa biashara haramu ya sigara. Hatari kubwa kwa biashara yetu ni ushindani unaotokana na bidhaa zisizolipiwa ushuru zinazoingizwa nchini kwa magendo. Biashara ya sigara haramu nchini Kenya ilikua kutoka karibu asilimia 27 mwezi Juni 2023 hadi takriban asilimia 37 mwezi Juni 2024 (kulingana na utafiti wa watu wengine), ambapo inakadiriwa sigara moja kati ya tatu zinazovutwa nchini Kenya ni haramu na hazikulipiwa ushuru.

### Kutokuwa na Uhakika wa Kisheria

Katika mwaka wa 2024, tuliendelea kukumbana na hali ya kutokuwa na uhakika wa kisheria kuhusu bidhaa za pouchi za nikotini. Tunatambua na kuunga mkono lengo la Serikali kupunguza kiwango cha uvutaji sigara na athari zake kiafya. Tunaunga mkono udhibiti unaotegemea ushahidi madhubuti, unaozingatia hali halisi ya nchi na unaotimiza malengo ya sera bila kusababisha madhara yasiyotarajiwa kama vile kuongezeka kwa biashara haramu.

Tunaamini kuwa mazungumzo jumuishi yanayowahusisha wadau wote ni muhimu. Mazungumzo haya yanapaswa kujumuisha wadhibiti wa sera, watunga sera, sekta ya afya ya umma, watumiaji na sekta ya viwanda.

Katika mwaka wa 2024, tulishiriki kama sehemu ya sekta, katika zoezi la ushirikishwaji wa umma lililoendeshwa na Wizara ya Afya na Bodi ya Kudhibiti

## Overview

Tumbaku kuhusu pendekezo la picha za onyo la kiafya kwa bidhaa za tumbaku na nikotini.

Aidha, BAT Kenya iliwasilisha maoni kuhusu Mswada wa Marekebisho ya Sheria ya Kudhibiti Tumbaku wa mwaka 2024 uliowasilishwa katika Seneti ya Kenya, kufuatia mwaliko wa Kamati ya Afya ya Seneti.

Kuhusu bidhaa zisizo na moshi, tunaamini kuwa kanuni zinapaswa kutambua kuwa bidhaa hizi zina hatari iliyopunguka ikilinganishwa na sigara na zinaweza kusaidia wavutaji watu wazima wanaotaka kuacha sigara kuhamia kwenye njia mbadala.

Ni muhimu kuelimisha wadau wote kuhusu manufaa ya kiafya ya bidhaa zisizo na moshi na kuhimiza sera na mienendo ya watumiaji inayoweza kuharakisha Kupunguza Madhara ya Tumbaku.

### Mageuzi ya Biashara

#### Ukuaji Bora

Nguzo ya Ukuaji Bora ndiyo msingi wa mageuzi yetu. Kipaumbele chetu ni kuongeza uwezo wetu wa ukuaji kupitia chapa zetu, ubunifu, ufanisi na kuongeza faida katika biashara. Mwaka wa 2024, tuliendeleza ushindani kupitia bidhaa zetu za sigara na kuongeza juhudi katika mpito endelevu kuelekea bidhaa mpya zisizo na moshi.

Udhibiti unaofaa unabaki kuwa muhimu ili kuwapa watumiaji watu wazima nafasi ya kuchagua kubadilika kutoka kwa sigara hadi bidhaa zisizo na moshi.

#### Biashara Yenye Nguvu

Nguzo ya Biashara Yenye Nguvu inalenga kuunda shirika la baadaye linaloongozwa na data; kuhakikisha tunaboresha ufanisi katika shughuli zetu zote. Njia yetu inayotegemea data inaendelea kuimarisha msimamo wetu wa kifedha, kutuwezesha kuwekeza katika watu wetu, bidhaa zetu, na kutoa thamani endelevu kwa wanahisa.

Wafanyakazi wetu na wadau wengine wakiwemo wakulima wa tumbaku na washirika wa biashara ni kiini cha utekelezaji wa mkakati wa Kikundi. Mwaka wa 2024, Kikundi cha BAT kilizindua Thamani Mpya ya Mwajiri - 'Kesho Haiwezi Kusubiri' - ikisisitiza dhamira yetu ya kujenga utamaduni jumuishi na mazingira yenye malengo kwa wafanyakazi wetu.

Kwa kuthibitisha mafanikio haya, tulitunukiwa cheti cha Top Employer kwa mwaka wa saba mfululizo, kwa Kenya na Afrika, na taasisi ya kimataifa ya Top Employers Institute.

#### Mustakabali Endelevu

Kujenga mustakabali endelevu kunahusisha kuwahamasisha kwa njia endelevu, yenye kuwajibika na ya maadili watumiaji watu wazima kubadili kutoka kwa sigara hadi kwa bidhaa zisizo na moshi.

Mnamo Februari 2025, Kikundi cha BAT kilichapisha mkakati wake mpya wa uendeleu, ukilenga maeneo makuu matano: Kupunguza Madhara ya Tumbaku (THR), Hali ya Hewa, Mazingira Asilia, Mzunguko wa Bidhaa, na Jamii, yanayoendana na masuala muhimu ya BAT Kenya. Ninafuraha kuripoti kuwa tunaendelea kufuatilia malengo yetu kwa kasi nzuri, na baadhi tayari yamefikwa kama inavyoonyeshwa katika ripoti hii.

Kuhusu Jamii, tulidumisha juhudi za kuboresha maisha ya wakulima wetu mwaka wa 2024, kwa kuimarisha usalama wa chakula kupitia ugavi wa mazao mbalimbali ya chakula, yakiwemo miche 11,650 ya parachichi kwa bei nafuu. Mwaka huu, tuliendeleza ufuatiliaji wa uhai wa miche hiyo kwa wakulima washiriki.

Baada ya uzinduzi wa Mpango wa Maendeleo ya Wanawake Vijijini (RuWDep) wa KSh milioni 10 mwaka wa 2023, ninafuraha kuripoti kuwa mwaka wa 2024, wanawake 208 walipokea mafunzo ya uelewa wa kifedha na wanawake 395 walifundishwa kuhusu maendeleo ya wanawake kama sehemu ya mradi wa majaribio. RuWDep inalenga kuwawezesha wanawake zaidi ya 1,600 kutoka jamii za Oyani na Malakisi.

Tunajivunia historia yetu ya mafanikio ya uendeleu, ambayo yamepokea utambuzi wa mara kwa mara kutoka kwa taasisi za nje. Mwaka wa 2024, tulishinda tuzo mbalimbali katika Tuzo za Usimamizi wa Nishati za Chama cha Wazalishaji Kenya (KAM), tukishinda nafasi ya pili kwa ujumla, pamoja na ushindi katika Nishati Mbadala, Utendaji wa Juu Endelevu, na Akiba ya Nishati ya Joto.

Aidha, tulishinda tena Tuzo ya Kuingiza Jinsia na Walemavu katika Afrika Mashariki katika hafla ya 2024 Gender Mainstreaming Awards na tukatambuliwa kwa ubunifu wetu wa kidigitali, tukishinda tuzo saba katika Mkutano wa CIO wa 2024, ikiwa ni pamoja na Tuzo ya Green Edge kwa miradi ya uendeleu katika sekta ya uzalishaji.

### Kutazama Mbele kwa Imani

Tukiwa na Mikakati na Madhumuni yaliyoboreshwa ya Kikundi, tuko tayari kuharakisha mgeuzo wa biashara yetu.

Tutaendelea kuwekeza kwa Watu wetu, kurahisisha shughuli zetu, na kujenga mikakati yetu ya uendeleu. Ninatarajia kushirikiana na wadau wote kuunda Siku Bora Zijazo.

## Finance Director's Report



The business experienced various headwinds across our domestic and export markets in 2024...

Despite these challenges, the Business demonstrated resilience, delivering strong results.



**Philemon Kipkemai**  
Finance Director



### A challenging operating environment

The Business experienced various headwinds across our domestic and export markets in 2024. In our domestic market, this was characterised by geopolitical tensions marked by prolonged civic demonstrations which interrupted our supply chain and trading activities, foreign exchange losses, rising interest rates, cost of living pressures on consumers, regulatory uncertainty, and a surge in illicit trade cigarettes to 37% (based on third party research), by the end of the year.

In our export markets, which contribute almost half of BAT Kenya's turnover based on the Company's business model, some markets experienced significant regulatory changes adversely impacting the dynamics of our consumers and consequently, our business. In other markets, forex scarcity prevailed for most the year, leading to both delayed shipments and payments.

Despite these challenges, the Business demonstrated resilience, delivering strong results.

### Financial highlights

- Net revenue increased by 1% to KShs 25.7 billion driven by a strategic pricing benefit, partially offset by the impact of foreign exchange losses on our export sales.
- Total cost of operations increased by 4% to KShs 18.4 billion reflecting the higher cost of doing business, partially offset by benefits from cost saving initiatives implemented during the period.
- Finance costs rose sharply by 955%, a loss of KShs 0.8 billion in comparison to an income of KShs 0.1 billion in 2023. This was driven by exchange losses following c. 20% appreciation of the Kenya shilling against the United States Dollar in Q1 2024.



## Overview

- Profit before tax was 19% lower at KShs 6.5 billion driven by the higher finance costs.
- Cash generated from operations increased by 23% to KShs 10.4 billion reflecting prudent working capital management and proceeds from sale of modern oral nicotine machinery.
- The proposed dividend payout reflects an increased yield (13% vs 12% in 2023) in line with our commitment to deliver sustainable shareholder value and underscoring our solid underlying business performance. This indicates a 1% rise in dividend yield to 13%, cementing the BAT Kenya stock as one of the highest yielding on the Nairobi Securities Exchange (NSE).

### Facing the future with confidence

We are confident that through our strategic commercial actions, we can further improve our performance. This includes sharper execution and unlocking untapped growth opportunities, particularly related to the commercialisation of the oral nicotine category.

With a diversified geographic footprint and product portfolio, as well as our track record of delivering consistent cash generation, we believe that we are well positioned to navigate the increasingly challenging operating environment and deliver sustained shareholder value.

### Our year in numbers

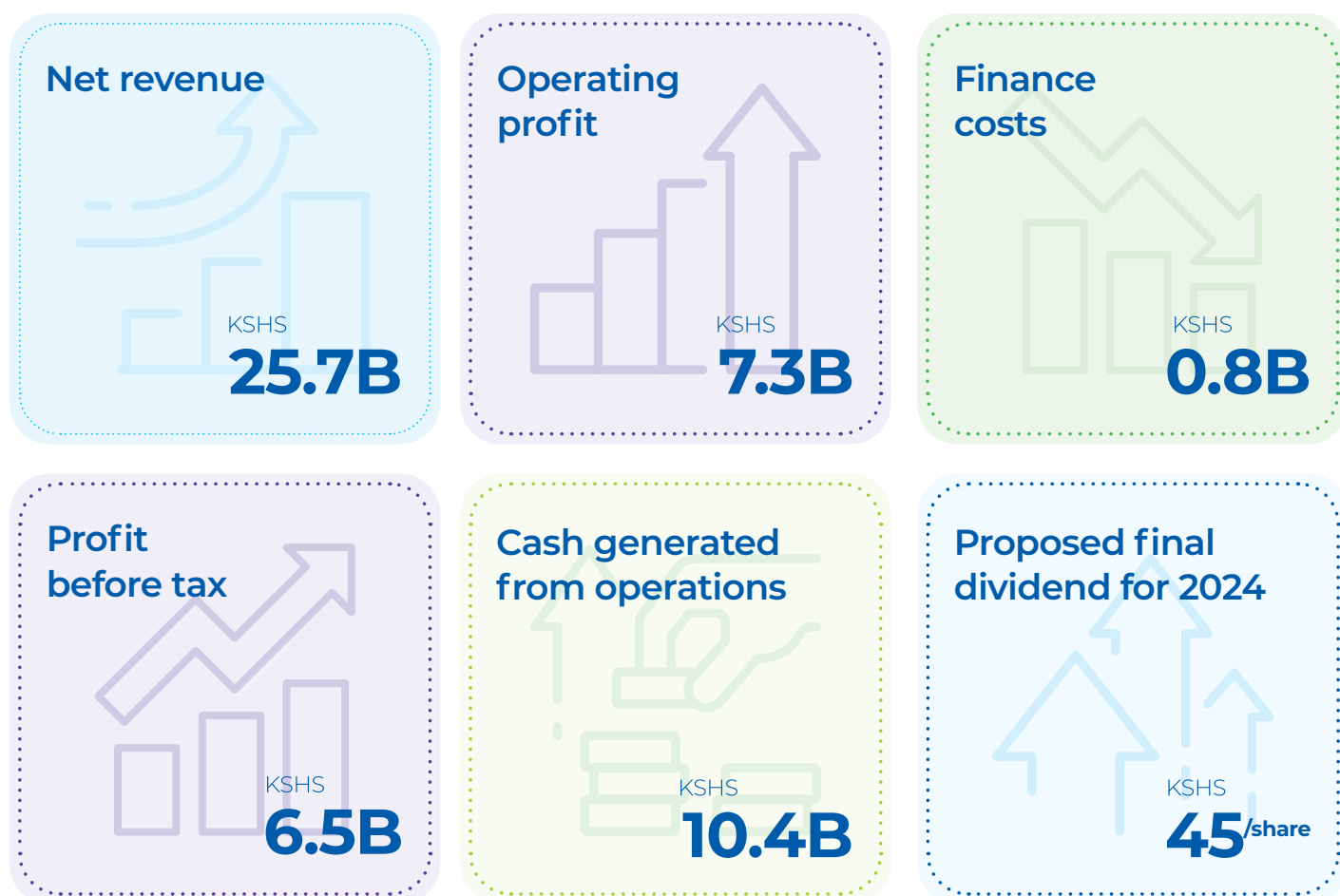


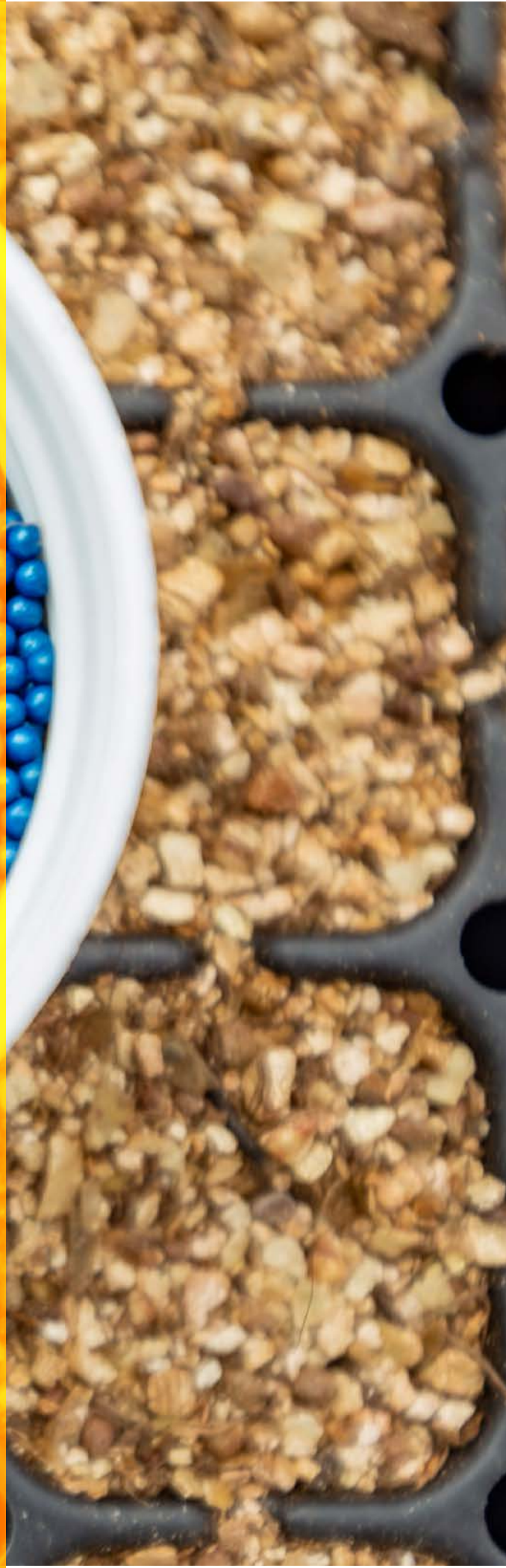
Fig 3: Our year in numbers







# GROUP STRATEGIC FRAMEWORKS





## BAT Group Strategy

## Group Strategic Navigator

# A BETTER TOMORROW™

## Building a Smokeless World

## Purpose/Vision/Mission

**Purpose**  
A Better Tomorrow™

**Vision**  
Building a Smokeless World

**Mission**  
Switch to Better

## Pillars &amp; Building Blocks

**Quality Growth**

Inspiring New Category Innovations & Brands  
Managed Combustible Transition  
Beyond Nicotine Foundations

**Sustainable Future**

Tobacco Harm Reduction Acceptance  
Shaping the Landscape  
Leading in Sustainability and Integrity

**Dynamic Business**

Exciting, Winning Company  
Operational Excellence  
Capital Effectiveness

## We are BAT: Our Values

Truly Inclusive

Do The Right Thing

Love Our Consumer

Passion To Win

Empowered Through Trust

Stronger Together

### Quality Growth

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

### Sustainable Future

Seeking to actively migrate consumers away from cigarettes and to smokeless alternatives sustainably, responsibly and with integrity.

### Dynamic Business

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

This will create the greatest financial flexibility possible to invest in BAT's people, BAT's products and provide returns to BAT's investors.

Delivering for

Consumers

Society

Employees

Shareholders &amp; Investors

Fig 4: Group Strategic Navigator

## BAT Group Strategy

## Group Values

**BAT's purpose is to create A Better Tomorrow™ by building A Smokeless World.**

A key driver to deliver this will be our Values which guide 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 embrace diversity and celebrate our differences.**

We are curious and safeguard the right to say what you think.  
We debate constructively yet progress together.

**We act with integrity to achieve results.**

We care about our impact on society and our planet.  
We are thoughtful in our decision making.

**We understand the consumer better than anyone**

We are obsessed with innovation and our brands.  
We have the courage to test, fail fast, and learn to improve.



**We equally value "How" and "What", and go the extra mile for success.**

We prioritise effectively and act like owners of our business.  
We own our purpose with determination and resilience.

**We start with trust and believe in each other.**

We ensure decisions are made at the right level.  
We understand that empowerment comes with accountability.

**We pull together as one team, through good and bad.**

We collaborate beyond borders and functions.  
We help each other grow and succeed.

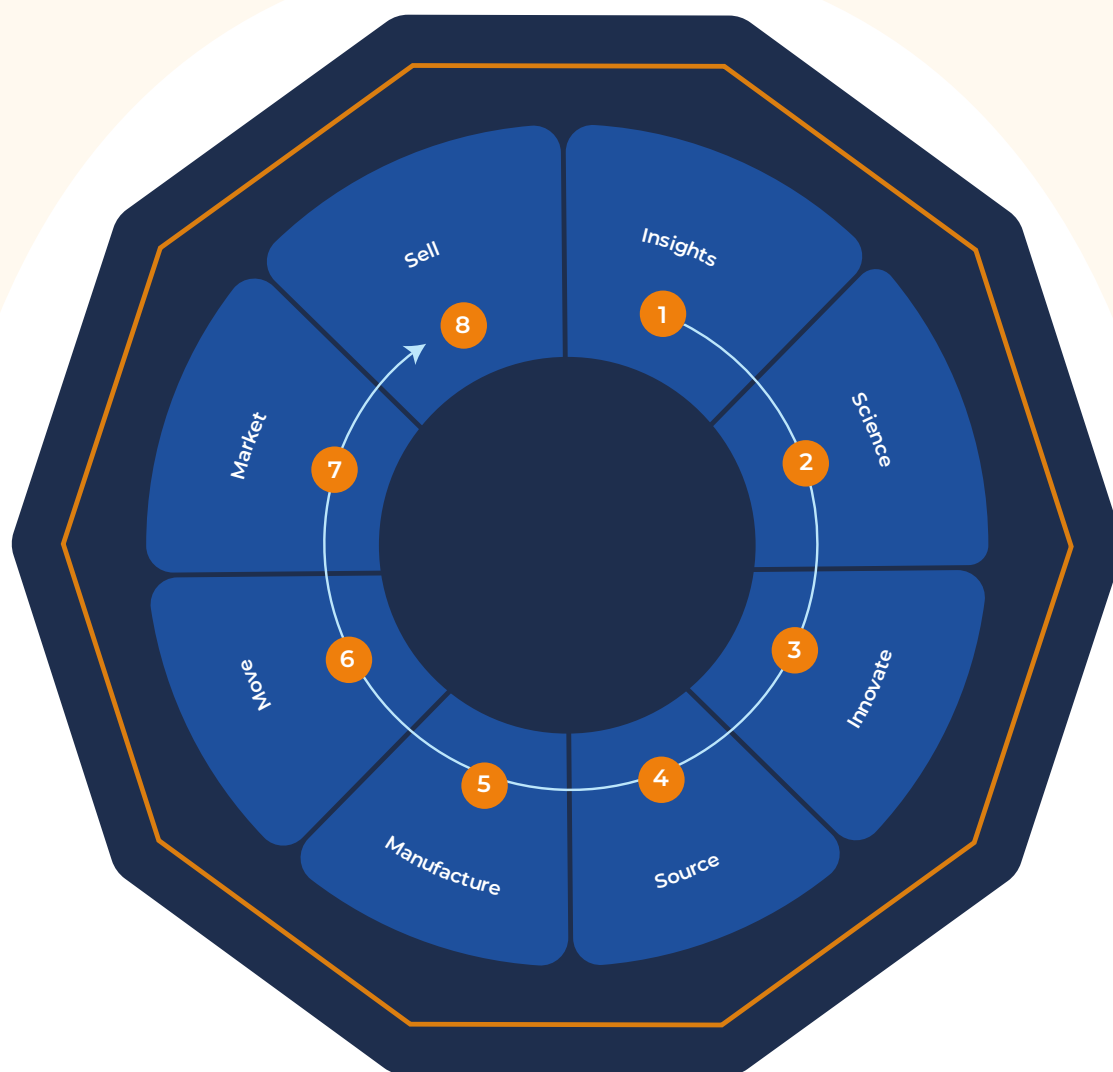
Fig 5: Group Values

## BAT Group Strategy

## Group Business Model

As a global business, the BAT Group strives to understand its diverse consumers, develop products to satisfy their preferences and ultimately distribute them to consumers around the world.

Taking into account feedback from stakeholders enables BAT to refine its strategy, deliver sustained value and build A Better Tomorrow™



A Better Tomorrow™ for:



Fig 6: Group Business Model



## BAT Group Strategy

## Key Enablers

**1. Seeing over the horizon**

BAT possesses a deep understanding of consumers and their diverse preferences. This is aided by BAT's rich heritage as one of the most established tobacco and nicotine businesses in the world, and its data and analytics-led approach.

These insights enable the development and responsible marketing of BAT products, so that they are fit to satisfy consumer preferences.

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

**2. Accelerating Tobacco Harm Reduction acceptance**

To substantiate the product safety, quality and reduced-risk potential of BAT Group's New Category products, BAT relies on world-class science. It is crucial for building trust with consumers and regulators and encouraging adult smokers to completely switch to less risky\* alternatives.

Chemistry, molecular biology and toxicology are just some of the fields that BAT's extensive scientific research programme covers. BAT is transparent about its science and has recently published a compendium of information in the OmniTM, which explores over a decade's worth of Tobacco Harm Reduction evidence, alongside science and research.

**3. Staying ahead of the curve**

With consumer preferences and technology evolving at pace, BAT relies on its growing global network of digital hubs, innovation hubs, world class Research and development (R&D) laboratories, external partnerships and BAT's corporate venturing initiative, Btomorrow Ventures.

Innovation is central to BAT driving sustainable growth, and BAT invests significantly in research and development to create incredible products that satisfy consumer tastes. Led by data and consumer insights, each innovation takes BAT a step further towards building A Better TomorrowTM by reducing the health impact of BAT's business.

**4. Sourcing materials responsibly**

Most of BAT Group's tobacco is sourced by BAT's Group-owned vertically integrated Leaf Operations through direct contracts with c.91,000 farmers. The remaining tobacco is sourced from third-party suppliers that in turn, contract with an estimated 157,000 farmers. The vast majority of tobacco farms in BAT's supply chain are smallholder family farms.

Beyond tobacco, BAT sources product materials like paper and filters for cigarettes and for its New Category products, BAT has a growing supply chain in consumer electronics and e-liquids. BAT also has a vast network of suppliers of indirect goods and services, that are unrelated to its products, such as IT services and facilities management.

**5. Utilising BAT's manufacturing footprint**

BAT's high-quality products are manufactured in BAT's facilities across the globe. These products and the tobacco leaf that BAT sources, are then optimised for distribution and sale.

BAT's New Category products are manufactured in a mix of BAT's own and third party factories. BAT works to keep its costs globally competitive and endeavours to use its resources as effectively as possible.

**6. Moving BAT products seamlessly everywhere**

Using modern technologies, including AI and machine learning, helps BAT to get its products to the right place at the right time.

BAT products are sold around the world and distributed efficiently using distribution models tailored to suit local circumstances and conditions.

These distribution models include retailers, supplied through BAT's direct distribution capability or distributors and BAT Group's direct to Consumer business.

**7. Marketing BAT products responsibly**

Using a globally responsible approach to marketing, BAT seeks to help raise standards and prevent underage access, while meeting the preferences of adult consumers.

BAT's marketing across all its tobacco, nicotine and nicotine-free products and brands is governed by BAT's Responsible Marketing Principles (RMP) and Responsible Marketing Code. They include strict requirements to be accurate, responsible and targeted at adult consumers only.

**8. Offering the consumer choice**

The BAT Group is proud of its powerful portfolio of brands. This includes BAT's combustible portfolio and its Smokeless product brands which BAT believes will accelerate the BAT Group's strategic aim.

BAT's product pipeline is strong, aided by its quality insights, science and innovation and being well-positioned globally. BAT offers adult consumers all over the world, a range of high-quality products, from value-for-money to premium, including combustible products, Vapor, Modern Oral and Heated Products.

Fig : Group business model- Key enablers.

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

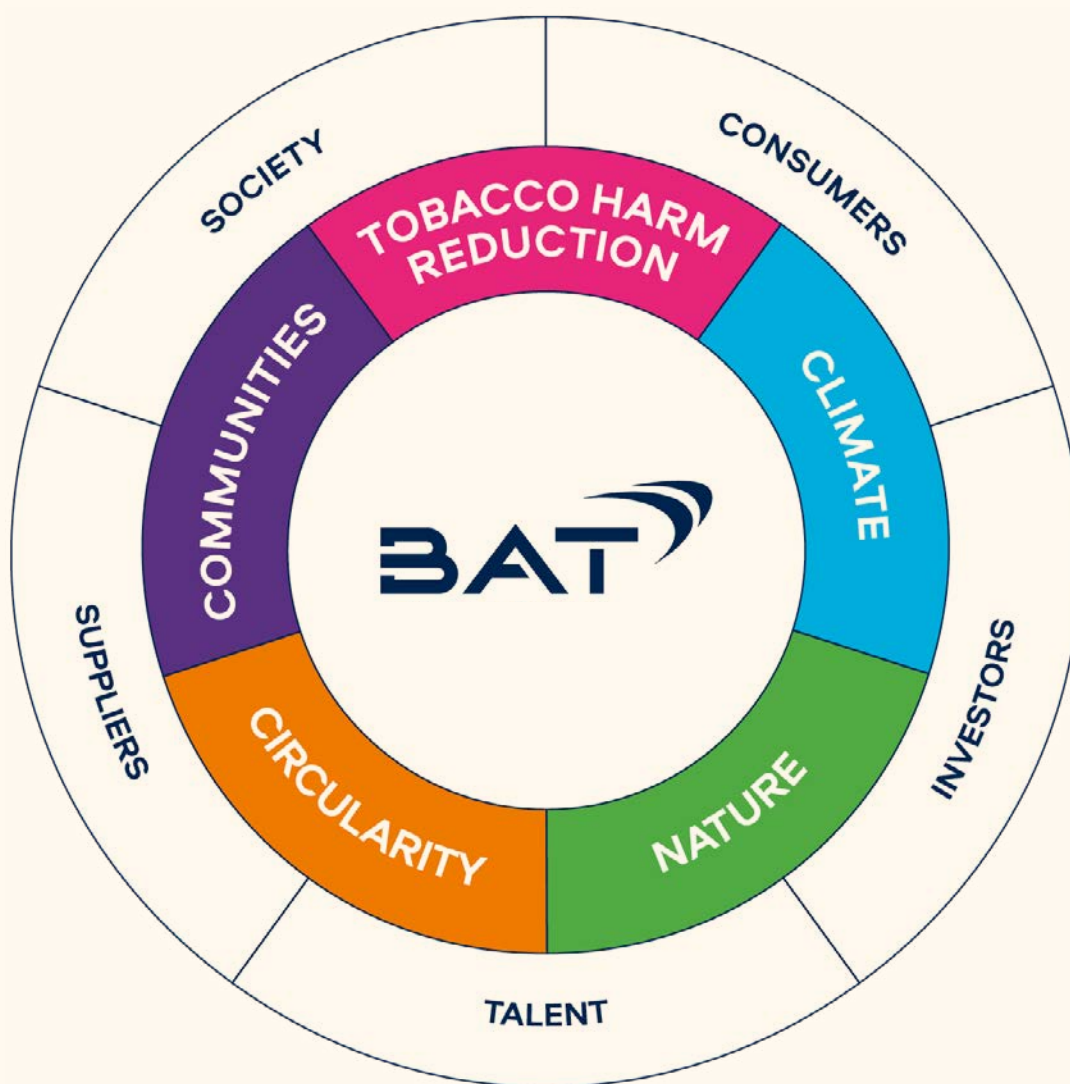
## BAT Group Strategy

## Group Sustainability Strategy

## The BAT Group has refined the Group Sustainability Strategy

BAT seeks to take a leading role in tackling some of the biggest global sustainability challenges. It aims to do this by responsibly Building a Smokeless World, reducing its use of natural resources and its climate goals as it transitions to A Better Tomorrow™. BAT strives to create a meaningful impact in the communities where it operates and inspire all its people to drive change.

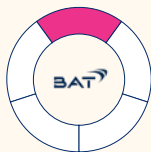
BAT Kenya is aligned to the Group Sustainability Strategy which is adapted to local realities.



## BAT Group's Five Strategic Impact Areas

Fig 8: Group Sustainability Strategy

## BAT Group Strategy



### Tobacco Harm Reduction

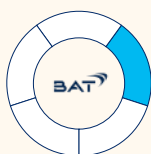
Over the past decade, BAT has transformed its business and made progress towards its goals. However, building A Smokeless World is not without its roadblocks.

BAT believes that progressive, evidence-based regulation, supported by meaningful enforcement is key to reducing smoking rates. BAT openly and transparently engages with public health authorities and regulators to support the development of policies and strategies that balance Tobacco Harm Reduction objectives with key concerns such as underage access, environmental impacts and product safety.



Omni™ is an evidence-based manifesto for change, which captures BAT's commitment and progress towards Building a Smokeless World to create A Better Tomorrow™

[www.asmokelessworld.com](http://www.asmokelessworld.com)



### Climate

BAT continues to reduce its Scope 1 and 2 GHG emissions through improving energy efficiencies and increasing renewable energy use where available.

BAT also continues to engage suppliers through its supplier enablement programme to tackle scope 3 GHG emissions.

In line with its climate transition efforts, BAT continues to focus on responsible sourcing practices and innovative product design to reduce its carbon footprint.

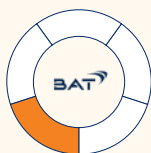


### Nature

For many years, BAT Group's Global Leaf Agronomy Development (GLAD) Centre has worked with BAT's directly contracted farmers and Leaf suppliers to promote improved agricultural practices.

Adoption of technology in agriculture is a core part of BAT's nature strategy.

BAT is investing in AI-driven tools to accelerate the analysis of agricultural data, to help farmers increase yields, reduce costs and minimise their environmental impact.

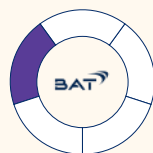


### Circularity

Transitioning to a portfolio of Smokeless products presents challenges, particularly in relation to plastic waste.

BAT's focus is on prioritising the use of materials that are sustainably produced and have a lower carbon footprint.

BAT Group's venturing arm, Btomorrow Ventures (BTV) actively scouts for and collaborates with start ups to identify sustainable materials as well as solutions for waste reduction and resource recovery.



### Communities

BAT Group's global footprint covers multiple supply chains, from agriculture to electronics and manufacturing.

BAT supports its farmers to enhance their livelihoods and build resilience, while keeping in mind its ambition to transition to a Smokeless World.

BAT's direct employees are an integral part of its communities. BAT continues to build on its culture so that everyone feels welcome and valued for their unique contribution at work.







**SUSTAINABLE  
LIVING**

# SUSTAINABILITY REPORT

## Sustainability Report

## Creating Shared Value



USTAWI is BAT Kenya's platform which seeks to drive a coherent approach to localising the BAT Group's Sustainability Strategy. USTAWI is a Swahili word which has nuanced meanings, including 'thriving and prosperity', which speaks to our ambition to create shared value for our stakeholders.

#### Direct economic value distributed in 2024.

Stakeholder	Scope	Amount paid (KShs Billion)	
		2024	2023
Government	Taxes paid being Excise Duty, Value Added Tax (VAT), Solatium, Pay as You Earn (PAYE) and corporate tax.	18.7	19.4
Shareholders	Dividends (40% to minority shareholders).	5	5.7
Farmers	Payment for tobacco leaf purchases from farmers.	1.122	0.954
Employee (excludes reorganisation costs)	Employee salaries / wages and benefits.	1.9	2
Product distributors and traders	Payments to distributors and traders.	0.4	0.7
Local and International suppliers	Payments for various goods and services.	10.8	15.9

Table 4: Direct economic value distributed.







## Sustainability Report

## Sustainability Highlights

69%

Representation  
of women  
in senior  
Leadership  
Teams



54%

Reduction in Scope  
1 and 2 emissions  
(vs 2020 baseline)



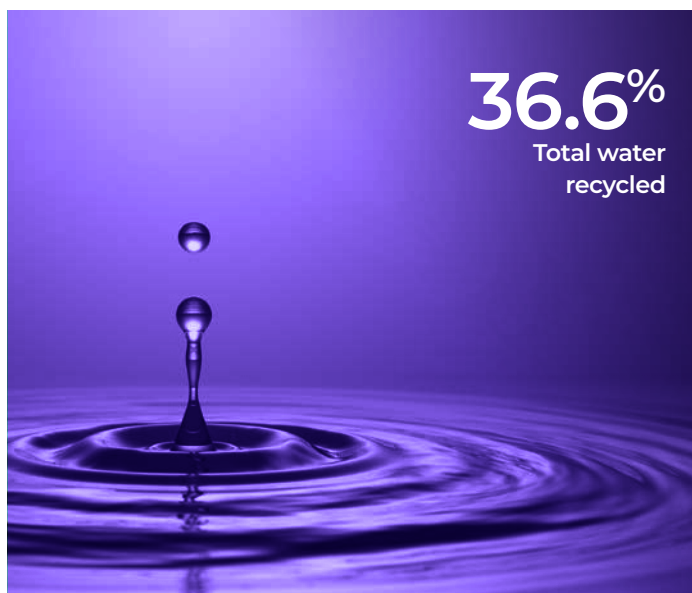
98.5%

Waste recycled



36.6%

Total water  
recycled



98.9%

Of tobacco  
farmers growing  
alternative crops



100%

Wood fuel sourced  
sustainably



## Sustainability Report

## Sustainability Performance Reporting

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

## Stakeholder engagement

At BAT Kenya, we recognise the value that our varied stakeholders bring; from our employees who are central to the success of the business, our customers, suppliers, shareholders and regulators, to our farmers who produce tobacco leaf. We are committed to maintaining sustainable and mutually beneficial relationships with all our stakeholders through consistent and transparent communication. In our

continued journey of sustainability reporting, we enhance non-financial mainstream disclosure, improve transparency, and showcase our sustainability performance.

Throughout the reporting period, we emphasised on strengthening our relations with our stakeholders and continued to take proactive measures to deepen our engagements with them. This included measures to widen our reach and ensure our stakeholders views are considered in decision making to facilitate inclusivity, transparency and promote shared value. Ongoing engagement with stakeholders helps to create an understanding of potential issues, enables us to proactively address concerns, stay up to date with global trends and market expectations, and develop solutions that deliver shared value.

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

Table 5: Stakeholder engagement

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



## Sustainability Report

## BAT Kenya's Materiality Assessment

Materiality assessment remains a key process in identifying the most material impacts for BAT Kenya and our stakeholders. We conducted our first materiality assessment for sustainability reporting in 2022 and have reviewed our material topics on an annual basis since. This enables us to assess the level of importance of different topics to our stakeholders and our business - those with the highest level of importance from our Sustainability Agenda are covered in our reporting.

Our material topics were guided by the applicable GRI Sector Standard and best practices in agriculture and other Fast Moving Consumer Goods (FMCGs), affirming their relevance within our industry. The topics identified represent the impacts BAT Kenya on the external environment.

The end-to-end process included:

1. Understanding the organisation's context,
2. Identifying actual and potential impact,
3. Assessing actual and potential impacts, and
4. Prioritising impacts.

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

For the current reporting cycle, it became evident that the previously identified material topics are still highly relevant, and thus they were retained.

We aim to refresh our in-depth materiality assessment every three years, which is now due for the 2025 reporting period. We are aware of the changing needs of our stakeholders and are dedicated to evolving with them.





## Sustainability Report

### List of Material Topics

Material topic	Impact Areas
Harm Reduction	<ul style="list-style-type: none"> <li>Consumer choice</li> <li>World class science</li> </ul>
Environmental management	<ul style="list-style-type: none"> <li>Climate change</li> <li>Water stewardship</li> <li>Biodiversity and ecosystems</li> <li>Circular economy</li> <li>Sustainable agriculture</li> </ul>
Farmer livelihoods and communities	<ul style="list-style-type: none"> <li>Growing complementary crops</li> <li>Improve agricultural productivity</li> <li>Building community resilience</li> <li>Supporting farmers to improve</li> </ul>
People, diversity and culture	<ul style="list-style-type: none"> <li>Human rights</li> <li>Employee wellbeing</li> <li>Health and safety</li> <li>Diversity and inclusion</li> <li>Value and supply chain integrity</li> <li>Employee development</li> </ul>
Ethics and compliance	<ul style="list-style-type: none"> <li>Business ethics</li> <li>Responsible sales and communication</li> <li>Sustainability governance</li> </ul>

Table 6: List of material topics



## Sustainability Report

## BAT Kenya's Performance Summary

BAT Kenya's sustainability performance is tracked regularly through measurable targets and goals which are aligned to those of the BAT Group. The section below provides a summary of our 2024 performance.

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

BAT Kenya Material Topic	BAT Kenya targets & goals	Metrics	BAT Kenya's performance		
			2024	2023	2022
Environmental management					
Climate Change	50% reduction in Scope 1 and 2 GHG emissions by 2030 <sup>4</sup> (vs 2020 baseline)  50% renewable energy use by 2030 <sup>4</sup>	Scope 1 CO2e emissions (tonnes CO2e)	2,991	3,113	5,959
		Scope 2 CO2e emissions (Market - based) (tonnes CO2e)	773	697	962
		Scope 1 & Scope 2 CO2e emissions (Market - based) (tonnes)	3,765	3,811	6,921
		Energy consumption (MWh)	17,597	19,421	25,330
		Renewable energy consumption (MWh)	1,340	1,271	474
		Renewable energy as a % of energy consumption	7.6%	6.5%	1.9%
Circular Economy	25% reduction in waste from our operations by 2025 (vs 2017 baseline)	Waste generated (tonnes)	1,152	1,524	1,572
	90% recycling rate of total waste generated by 2025	% of waste recycled	98.5%	97.8%	97.9%
	<1% waste to landfill by 2025	Waste sent to landfill (tonnes)	0	0	0
Water	30% of water recycled by 2025	% of total water recycled	36.6%	20.5%	13.7%
	35% reduction in water withdrawn by 2025 vs 2017 baseline	Total water withdrawn (cubic meters)	27,312	35,404	44,494
	100% operations sites Alliance for Water Stewardship (AWS) certified by 2025	% of operations sites AWS certified	100%	100%	100%
	Soil & water management practices in our tobacco supply chain	% of tobacco hectares reported to have appropriate best practice on soil management implemented	67%	64%	67%
		Total water withdrawn (M³)	30,828	28,246	34,266
Biodiversity and ecosystems	100% of wood used by our contracted farmers as curing fuel to be from sustainable sources	% of sustainable wood fuel sources used by our contracted farmers for curing tobacco	100%	100%	71%

4 Includes fugitive emissions for 2022 and 2023

## Sustainability Report

BAT Kenya Material Topic	BAT Kenya targets & goals	Metrics	BAT Kenya's performance		
			2024	2023	2022
Social					
Human rights	Aiming for zero child and forced labour by 2025 in our tobacco supply chain	% incidents of child labour reported as resolved by end of the growing cycle	100%	100%	100%
		% of farmers that received training /capacity building on child labour issues	100%	100%	100%
Farmer livelihoods & Communities	Supporting prosperous livelihoods for all framers in our tobacco supply chain	% of tobacco farmers reported to grow other crops for food or as additional sources of income	98.9%	97.7%	95.1%
		% of farmers trained on crop diversification	74.1%	83.0%	83.0%
		% of farmers trained on farm / business management	3.9% <sup>5</sup>	-	99.0%
Health and Safety	Aiming for zero accidents Group-wide year on year	No. of work-related accidents resulting in injury to employees and contractors	2	0	1
		Lost Time Incident Rate Injury (LTIR)	0.1	0.0	0.2
		Occupational illness cases	0	0	0
		No. of serious injuries (employees)	0	0	0
		No. of serious injuries (contractors)	2	0	1
		No. of fatalities (employees & contractors)	0	0	0
		No. of fatalities to members of public involving BAT vehicles	0	0	0
	100% of farmers and workers with sufficient personal protective equipment (PPE) for agrochemical use and tobacco harvesting	% of farms reported to have sufficient PPE for agrochemical use	100%	100%	100%
		% of farmers trained on agrochemical health and safety (% of farmers trained)	100%	100%	100%
People, Diversity and Culture	45% women in senior Leadership Teams by 2025	% women representation in senior Leadership Teams (37+) by 2025 <sup>6</sup>	69%	57%	47%

BAT Kenya Material Topic	BAT Kenya targets & goals	Metrics	BAT Kenya's performance		
			2024	2023	2022
Governance					
Ethics and integrity	Aiming for 100% adherence to our Standards of Business Conduct (SOBC)	No. of established SOBC breaches	7	6	6
		% of employees who completed annual SOBC training and sign-off	100%	100%	100%

■ Table 7: BAT Kenya Sustainability Performance Summary

<sup>5</sup> Focus on farmers in the RuWDep programme.


<sup>6</sup> Senior Leadership Teams means employees in Grades 37 to 41




## Sustainability Report

## Strategic Management of our Material Topics

This section provides a performance overview of BAT Kenya's material topics.

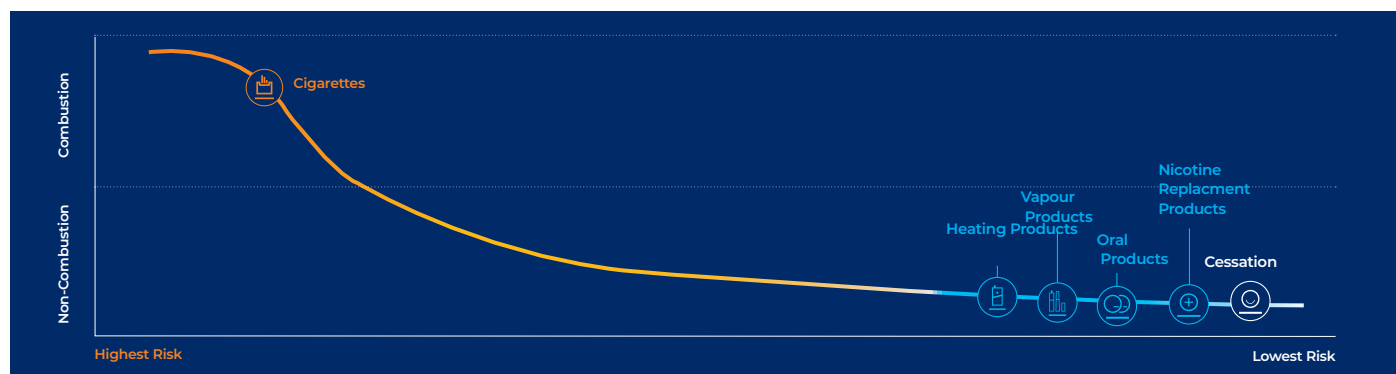


## Harm reduction



**TARGET**

- Launch reduced risk\* products in the market by 2025.



## Performance highlights

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

It is widely accepted that most of the harm associated with tobacco is caused by inhaling the smoke produced by its combustion. That is why BAT is dedicated to the development and sale of a range of less risky\* alternatives that meet the needs of adult smokers without burning tobacco. BAT is clear that combustible cigarettes pose serious health risks, and the only way to avoid these risks is to not start smoking or to quit.

Smokeless products offer a compelling option for the estimated over one billion people globally who continue to smoke today. For BAT, moving towards a Smokeless product portfolio built on outstanding products, informed consumer choice, and underpinned by world-class science is essential for building A Smokeless World.

In line with this, BAT Kenya launched Velo, BAT's oral nicotine pouch in the market in 2022, following initial introduction of the category in 2019. Subsequently, the Category has been faced with sustained regulatory uncertainty. We suspended sale of our oral nicotine product at the end of 2023 to date, in light of an ongoing regulatory process by the Government. In 2024, we divested from our nicotine pouch manufacturing factory in Nairobi.

## Standards &amp; regulation

We recognise and support the objective of governments to reduce smoking rates and associated health impacts. We support regulation that is based on robust evidence, tailored

to local circumstances, and delivers on the intended policy aims, while preventing unintended consequences such as the growth in illicit trade.

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

Specifically on Smokeless products, we believe regulation should recognise that Smokeless tobacco and nicotine products are less risky\* than cigarettes and support their use as an alternative for those adult smokers who would otherwise continue smoking combustible products.

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

- based on science and evidence,
- ensure product quality and consumer relevance,
- allow adult-only access, and enable effective enforcement.

## World class science

In 2024, the BAT Group launched the Omni™, which is a progress summary of our journey to A Better Tomorrow™ by building A Smokeless World.

A Smokeless World built on Smokeless products where, ultimately, cigarettes have become a thing of the past. A world where smokers, who would otherwise continue to smoke, have migrated from cigarettes to Smokeless alternatives. A world where Tobacco Harm Reduction is both understood and accepted. A world where smokers make a switch to better.

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

## Sustainability Report



## Environmental management



We believe that through knowledge sharing, we can build that world. This is why the BAT Group launched the Omni™. Intended for scientists, public health authorities, regulators, policy makers, and investors, the Omni™ offers a summary of the global Tobacco Harm Reduction evidence base created over the last decade. It is structured to enable interested readers to learn more about Tobacco Harm Reduction, and to understand BAT's journey.

We strive to follow standards of environmental protection and adhere to the principles of sustainable development and protection of biodiversity in our direct operations and supply chain.

Our environmental management framework incorporates proactive measures in energy management, circular economy, biodiversity conservation, and water stewardship.

Promoting sustainable environmental practices and integrating risk management strategies into our decision-making processes is key to addressing both the current and potential future impacts of climate change, which is a focus area in the management of our environmental footprint and across our value chain.

## Relevant Policies and Standards

Environment Policy	Health and Safety Policy
Environment, Health and Safety (EHS) Management System	Fire Safety Policy
Fleet Policy	Security Policy
Energy Policy	Water Policy

Table 8: Environmental management policies & standards

## Sustainability audit

As part of our sustainability governance efforts and during the reporting period, our manufacturing site in Nairobi underwent a sustainability compliance audit implemented by the BAT Group and was certified as compliant. The site recorded several 'best-in-class' areas following the audit implemented by BAT Group, including but not limited to: Management's commitment and ownership as demonstrated by the Kenya Wellness Pillar, Communication practices, Waste Management, Legal requirements monitoring; documentation management, Electrical Safety, Energy Management System, Security and Environment and Health & Safety BCP Management.



## Sustainability Report



## Climate change



## TARGET

- 50% reduction in Scope 1 & 2 CO<sub>2</sub>e emissions by 2030 (vs 2020 baseline).
- 50% renewable energy use by 2030

## Approach and performance highlights

Climate change remains one of the most salient global threats of our time. Climate change and its effects threaten business continuity and impacts our ability to secure the natural resources required to run our business. This is relevant for our agricultural supply chain which is particularly sensitive to abrupt climate variations.

The reliance on natural resources by our operation also has an impact on climate change.

Reducing GHG emissions and mitigating climate risks requires shifts in the way we operate our business. As such, we are addressing climate change and accelerating our Scope 1 and 2 pathway to a low carbon footprint through two main elements:

- I. Energy management
- II. Renewable energy





## Sustainability Report



### Scope 1 emissions - direct emissions from sources owned or controlled by the Company.

At our Nairobi manufacturing factory, our sustainability efforts are guided by both short-term and long-term strategies focused on improving energy efficiency and reducing environmental impact.

Our initiatives include the implementation of digital steam trap monitoring for real-time insights which allow us to address inefficiencies promptly. Additionally, we leverage Integrated Work Systems (IWS) tools, such as daily direction setting, to prioritise and address operational losses. These efforts are essential for driving immediate improvements in our operations and helping to ensure continuous optimisation. As part of pipeline planning, we are focusing on advanced technologies such as L4 digital metering<sup>7</sup> which provides real-time monitoring of energy consumption at the production machine level, enabling us to manage and optimise energy use more effectively. We are also improving our compressed air line distributed system to reduce leakages, boosting system efficiency.

At our Green Leaf Threshing Plant (GLTP) in Thika, we are driving strategies aimed at reducing environmental impact while improving operational performance. We continue to raise awareness amongst our internal and external stakeholders about greenhouse gases (GHG) and their effects on the environment, to align with BAT Group's broader

Sustainability Strategy. From a deployment perspective, we utilise IWS tools, such as centrelines, to guide equipment operators on the optimal use of fuels and ensure efficient cleaning, inspection, and lubrication practices. Looking to the future, GLTP and broader tobacco leaf farming operations, we aim to introduce the use of electric forklifts and bikes for field operations to further reduce our carbon footprint. Together, these initiatives across both Thika and Nairobi sites reflect our ongoing commitment to sustainability, operational excellence, and reducing our environmental impact over the immediate and long term.

### Scope 2 emissions- Indirect emissions generated from purchased electricity, heat, steam or cooling.

These emissions can be;

- 'Location based' - which uses a quantification method based on average energy generation emission factors for defined locations, including local, subnational, or national boundaries; or
- 'Market-based' which uses a quantification method based on GHG emissions emitted by the generators from which the reporter contractually purchases electricity bundled with instruments or unbundled instruments on their own.

Our efforts to reduce Scope 1 and 2 CO<sub>2</sub>e emissions are supported by a Renewable Energy Strategy.

This table provides a breakdown of our total emissions.

Location/ Source	Scope 1			Scope 2		
	Tonnes (Co2e)					
	2024	2023	2022	2024	2023	2022
Nairobi factory	1,979	2171	4752	648	581	837
Thika factory	679	615	844	100	93	108
Offices	-	-	-	25	24	17
Fleet	333	327	363		-	-
Total	2,991	3,113	5,959	773	698	962

Table 9: Scope 1 & 2 emissions

The data above has been updated in accordance with the Group reporting methodology to include fugitive emissions.

<sup>7</sup> Smart meters with full connectivity, that enable remote reading in 30-minute interval data access.

## Sustainability Report

### Energy management

Our Energy Management Strategy for 2024 was focused on improving energy efficiency, reducing power consumption, and reducing emissions. To this end, several key initiatives were implemented across our operations during the year, resulting in substantial energy savings and a reduction in environmental impact at our Manufacturing and GLT factories. These include:

#### Manufacturing Factory - Nairobi

- Digital Manufacturing Platform (DMP) for electrical meters- this platform digitises meter readings, allowing for more accurate and real-time tracking of energy usage. It also supports energy loss analysis, enabling us to identify areas for improvement in energy efficiency across our operations.
- Factory optimisation- we grouped production machines into a single area, enabling the use of a single dust plant instead of three. The elimination of multiple dust plants not only streamlined operations but also significantly reduced energy consumption.
- Finished goods conveyor optimisation- by eliminating idle running time, we increased the efficiency of the conveyor systems, thereby reducing unnecessary energy use during non-productive periods.
- Motor upgrade for municipal water supply- in a bid to reduce energy consumption, we replaced a 5.5kW rated motor with a more efficient 0.36kW rated motor for supply

of municipal supplied water to the boiler. This motor upgrade contributed to significant energy savings while maintaining operational efficiency.

- Steam distribution pipes lagging replacement- We replaced the lagging on steam distribution pipes to enhance insulation. This measure helps reduce heat loss, leading to a reduction in the consumption of Heavy Fuel Oil (HFO) for steam generation, further optimising energy conservation efforts.

As a result of these initiatives, there has been a notable reduction in overall power consumption at the manufacturing factory. In 2024, we recorded a reduction of 393,000 KWh of electricity, representing a 6.4% decrease in energy consumption compared to 2023. This achievement reflects our ongoing efforts to reduce the environmental footprint of our operations.

#### Green Leaf Threshing Plant (GLTP) - Thika

- Dual burner hybrid boiler installation- we installed a dual burner (hybrid) boiler capable of using fuels with lower emissions factors. This dual-fuel capability has reduced our reliance on HFO and is expected to lead to a 12% reduction in our Scope 1 emissions.
- Modification of tips cylinder duct system- These changes have optimised energy usage and supported our ongoing drive to reduce energy waste across the factory.





## Sustainability Report



### Renewable energy

In our continued efforts to respond to climate change, we are aligned with the BAT Group's target, to use 50% of our energy needs from renewable sources by 2030. In 2024, 7.6% (1,340 MWh) of our direct energy usage came from renewable sources. This was mainly from our onsite solar panels that were installed in 2023/2022 as part an investment of approximately KShs 145 million. This has seen a steady reduction in our energy usage as shown in the table below:

BAT Kenya energy consumption breakdown			
Location	Consumption MWh		
	2024	2023	2022
<b>Manufacturing factory</b>			
Fuel oil	5,658	6,868	10,883
Purchased electricity	5,550	6,024	7,776
LPG	242	531	650
Solar	1,093	1,103	352
Diesel	208	72	198
<b>Green Leaf Threshing Plant (GLTP)</b>			
Fuel oil	1,959	1,793	2,344
Purchased electricity	861	960	1,004
LPG	217	226	266
Solar	248	168	122
Onsite diesel	22	25	19
Fleet vehicle diesel	195	152	144
Fleet vehicle petrol	32	15	10
<b>Kenya Trade, Marketing &amp; Distribution</b>			
Purchased electricity	216	250	156
<b>Fleet vehicles</b>			
Fleet vehicle diesel	1,102	968	1,102
Fleet vehicle petrol	149	266	251

Table 10: Energy Consumption



## Sustainability Report



## Biodiversity and ecosystems



## TARGET

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



## Our approach and performance highlights

Natural capital is a resource we all share and depend on, making biodiversity critical for thriving ecosystems. However, climate change and habitat destruction are accelerating biodiversity loss, threatening ecosystems' stability and resilience.

There is broad global consensus on the urgent need to protect biodiversity and halt and perhaps even reverse nature loss. Further, protecting biodiversity is essential to maintaining the health of our planet and ensuring the survival of species. The BAT Group's business operations, including conventional agricultural practices, rely on the use of natural resources such as wood, soil and water. Activities such as raw material sourcing, tobacco farming and water withdrawal for agricultural activities and manufacturing can negatively impact the environment.

In the communities we operate we are committed to the responsible and sustainable management of natural resources and continuously strive to develop, advance and implement sustainable agricultural practices focused on preserving natural capital, enhancing farmer livelihoods and enhancing their resilience to climate change.

Our Sustainable Tobacco Policy (STP) highlights our commitment to sustainable tobacco farming practices ensuring human rights are the core of our business operations, ensuring the safety of our farmers and, their workers as well as enhancing farmer livelihoods. Additionally, our approach to protecting biodiversity and ecosystems is embedded in our Environmental Management Policy Statement.

Over the years, we have implemented various measures to safeguard biodiversity and natural ecosystems. Interventions include driving water stewardship programmes, optimisation of pesticides and fertilizer use, promotion of regenerative agriculture and afforestation activities. In this realm, we work with various stakeholders, including our contracted farmers and local communities to conserve and protect biodiversity and drive various initiatives. This includes mainstreaming the use of sustainable wood fuel during the contracting of tobacco farmers. This aims to prevent tobacco farming in a deforested natural ecosystem or leased land that has been deforested or converted. We also conduct due diligence on farming practices to avoid conversion of natural ecosystems to tobacco farms. Further, we implement capacity building

initiatives with farmers on soil management, conservation and afforestation.

In 2024 our sustainable agriculture training covered topics such as nurturing of seedlings planted to facilitate optimal survival rates, which we monitor on a regular basis.

Our contracted farmers were also trained on natural resource preservation, water management best practices, efficient barn construction, use of sustainable wood fuel for curing, fuelwood traceability and their role in driving compliance with applicable regulations as stipulated by the National Environment Management Authority (NEMA). Furthermore, we collaborated with farmers to ensure that indigenous trees are not used for tobacco curing. In this regard, we issue farmers with tree seedlings annually to plant on their farms with the aim to replenish the wood fuel used and drive afforestation activities.

One of BAT Group's targets to which BAT Kenya is aligned, is to achieve a Deforestation and Conversion Free (DCF) tobacco supply chain by 2025, which we have already achieved, based on internal data assessments. This was implemented through monitoring via our Farmer Sustainability Monitoring (FSM) and Modern BAT Leaf (MBL) tools. The monitoring scope includes wood fuel sources, geolocation of the farmer homesteads, wood plantation, distance of harvesting location from farmer homestead, type and quantity of wood fuel as well as visuals of the location of the wood fuel (this is for wood fuel sourced from farmers wood lots). For wood fuel that the farmer buys from external sources, the tool captures details of the wood supplier, the geolocation of the farms. Data assessment is done internally, we aim to have it verified by an independent and external assessor.

In the 2024 reporting period, 100% of fuel woods used for curing tobacco by our contracted farmers were classified as deforestation free, validated through our fuelwood traceability tool. Additionally, to enhance our efforts to eliminate conversion, we work with multi sectoral agencies to reclaim and rehabilitate biodiversity areas in our tobacco leaf growing regions, which has helped reduce the risk of forest conversion to agriculture land use.

More details are available in the Farmer livelihoods section on pages 55 to 62.

## Sustainability Report

### Afforestation and biodiversity restoration

We continue to further our efforts to restore areas of biodiversity significance in the communities we operate informed by our annual Biodiversity Risk and Opportunity Assessment (BROA). BAT Kenya has an afforestation programme – *Kijani* – through which we have been planting trees with various stakeholders since 1978. Annually, we aim to plant at least 2 million trees.

In 2024, we planted approximately 1.5 million trees, of which 1.1 million were planted by our tobacco farmers. This helps replenish used wood fuel and provide a sustainable source of fuel for tobacco curing. In partnership with tobacco farmers, government agencies, and community stakeholders, these afforestation efforts have supported natural forest preservation and protected vital water catchment areas nationwide. It is key to note that the number of trees planted through our afforestation initiatives outnumber those used for tobacco curing, which amounted to 27,004 tonnes.

We are honoured to contribute to Kenya's ambition to restore 30% forest coverage by 2032 through the National Tree Growing Restoration Campaign. To this end, we are collaborating with the National Environment Trust Fund (NETFUND) and the Kenya Forest Services (KFS) to adopt and rehabilitate 2,727 hectares of land in Kenya's critical water towers through afforestation.

#### Breakdown of seedlings planted / donated in 2024 as part of community biodiversity initiatives.

Region	Name of BROA site/ Institutions	Seedlings planted
Oyani	Maeta Hill	25,000
	Mirema Hill	55,000
	Oyani River	25,000
Malakisi	Namuninge Dam	5,000
Others	Adopt a Forest Mt. Elgon	300,000
	Adopt a kilometre River Chania	1,000
<b>GRAND TOTAL</b>		<b>411,000</b>
Seedlings donated		
	Railway Technical Training Institute (RTTI)	200
	BAT Staff	12,785
	KFS Chwele	12,350
<b>GRAND TOTAL</b>		<b>25,335</b>

■ Table 11: Breakdown of seedlings planted / donated in 2024.

### Agricultural waste

Our waste management efforts extend to our contracted farmers, with a key component being capacity building actions. This has seen all our farmers in 2024 trained on agrochemicals storage, use and proper disposal. Alongside this we issue them with Personal Protective Equipment (PPE) and train them on its use. To further drive safety practices, farmers are advised to store agro-chemical containers in a specified chemical box or lockable store to prevent un-authorised access to the chemicals. Additionally, we issue farmers with hazardous waste bags to store empty agrochemical containers (CPA containers) which are collected by the Company for safe disposal.

#### Summary of agricultural waste data for 2024

■ Table 12: Summary of agricultural waste data for 2024

Waste from farmers	Tonnes
Amount of waste collected from farmers	1.4673
Amount recycled	0.3915
Amount incinerated	1.0758

**1.5M** trees planted in 2024



## Sustainability Report



## Water stewardship



## TARGET

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

## Our approach and performance highlights

We understand that water is a key, yet scarce resource and should be used efficiently and responsibly with equitable sharing by all end users. Protecting and conserving water through water management practices and governance systems, is therefore important for our various operations across the country.

Direct impacts of water use in our operations are primarily from our factory processing activities, while indirect water impacts come from the supply chain. Our Water Security Standard provides water conservation guidance for operational sites and sets out actions for sites located in water stressed areas. We strive to achieve the highest practicable levels of water conservation across our value chain, and to be responsible water stewards. This includes engaging with our stakeholders in understanding our collective challenges, risk and opportunities. By using water more efficiently, we can reduce negative ecological impacts while protecting access to water by the wider community, which is a key component of Good Water Governance (GWG).

We drive various water stewardship initiatives at BAT Kenya, including reducing withdrawal of water, water loss and enhancing recycling efforts. In our direct operations at the manufacturing factory and Green Leaf Threshing Plant (GLTP), approximately 80% of water is used for tobacco leaf conditioning, while 20% is allocated to other amenities. For our manufacturing factory in Nairobi, we surpassed our internal water recycling target set at 32% and achieved a

43% increase by increasing our effluent plant output and recycling of chiller water. At our GLTP we implemented Phase two of our grey water recycling operationalisation project for the Quality Assurance lab distillation unit, leading to recovery of 330 litres of overflow water for every 20 litres of distilled water. The recovered water is stored in a tank and used in the washrooms. Additionally, we digitised our water meter monitoring and reporting system to enhance real-time data analysis.

*Water use in tobacco farming and processing.*

In tobacco farming, water is key for irrigation. Here, we drive optimal water usage through sustained capacity building for farmers and adoption of efficient irrigation technologies, which reduce withdrawal of fresh water. To drive water stewardship, some innovations in tobacco farming include the use of float bed nurseries which facilitate optimal water utilisation.

For tobacco processing at the GLTP, we reduce our impact on the environment by recycling process wash-off (water waste) for use in gardening and washrooms.

As a result of our track record, we continue to receive external recognition from various institutions as a leader in water stewardship in Kenya such as the Kenya Association of Manufacturers Energy Management Awards, we have also received certification for our two factories for Good Water Governance practices from the global Alliance for Water Stewardship, following an audit process.



# 43%

water is recycled  
in our processing  
factories



## Sustainability Report

### Water usage in own operations

Location	Water Usage (M3)		
	2024	2023	2022
<b>Nairobi factory</b>			
Water withdrawn	18,838	25,095	34,100
Water recycled	14,189	7,198	6,274
Water recycled %	43.0%	22.3%	15.5%
<b>Thika GLTP</b>			
Water withdrawn	8,136	9,962	10,107
Water recycled	1,603	1,928	810
Water recycled %	16.5%	22.3%	7.4%
<b>Offices</b>			
Water withdrawn	338	347	287
Water recycled	0	0	0
Water recycled %	0	0%	0.0%
<b>Total water withdrawn</b>	<b>27,312</b>	<b>35,404</b>	<b>44,494</b>
<b>Total water recycled</b>	<b>15,792</b>	<b>9,126</b>	<b>7,084</b>
<b>% of total water recycled</b>	<b>36.6%</b>	<b>20.5%</b>	<b>13.7%</b>

Table 13: Water usage in own operations

In 2024 our manufacturing factory and GLTP in Nairobi and Thika respectively, independently participated in the Energy Management Awards (EMA) organised by the Kenya Association of Manufacturers (KAM). We are proud to have achieved the following awards, for which we have provided a summary of contributing factors:

- Overall runners up in Energy Management-GLTP: sustained boiler inspection, Non-Destructive Testing (NDT), and tune-up leading to total energy savings of 158.65 megawatt-hour (MWh); Steam and condensate distribution network upgrade leading to total energy savings of 16.8 MWh.
- The GLTP Plant also emerged as winners in Renewable Energy, Sustainable High-Performance, and Thermal Savings.
- Runners up in Water Efficiency-GLTP: Water network reticulation leading to 1,095m<sup>3</sup> annual water savings; Factory wash-off recycling leading to 160m<sup>3</sup> annual water savings. The Nairobi factory also secured the 1<sup>st</sup> runners up award for participation consistency.
- BAT Kenya participated in the 2024 CIO Africa awards and managed to secure seven awards in total: The GLTP emerged winners of the Green Edge Award at the Summit 2024 which recognises companies that have implemented digital tools in sustainability. Initiatives at the GLTP include digitalisation of water meter reading. Additionally, the GLTP received two gold awards, whilst our manufacturing factory in Nairobi received two gold, one silver, and two bronze awards. Further to this, the BAT Kenya Head of IDT - Joan Ambutu was a finalist for the DXNova Woman of the Year Award.



## Sustainability Report



## Circular economy



## TARGET

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

## Our approach and performance highlights

The global and unsustainable use of virgin raw material harms the environment. Transforming from a linear to a circular economy requires changing how business designs, manufactures, uses and disposes of products. Challenges include continuous demand for virgin raw materials, unsustainable consumption patterns and endless waste. Circularity aims to address these issues by minimising waste and optimising resources. We seek to reduce our material footprint across our value chain and to understand and reduce the environmental impact of virgin raw material use. Circularity is based on maximising the use of resources by using materials in a smarter and more efficient way. We have categorised our material use in three phases;

- Manufacturing (make): in the 'make' phase, we aim to use more sustainable materials and increase resource efficiency;
- Use phase: we encourage responsible consumption and disposal;
- Dispose phase: we collaborate with waste management organisations to enhance waste material recovery.

Consumer demand for more circular products continues to rise. Regulators are also increasingly introducing measures that hold manufacturers accountable for managing the impact of their products' full life cycle. Extended Producer Responsibility (EPR) schemes are examples of such initiatives. We also recognise that advancing the circular economy can contribute to the reduction of GHG emissions and the preservation of biodiversity. Therefore, we have implemented various measures to promote circularity. Over the years, we have maintained our progress of zero waste sent to landfill sites and have adopted product innovations from the BAT Group that have enhanced resource efficiency in product design, packaging, and our products' end-of-life options.

## Our packaging composition

We are on track to achieve our target to have 100% of our total packaging being reusable, recyclable<sup>8</sup> or compostable by 2025. For our cigarettes, the BAT Group has introduced paper inner bundling, where legally permitted, to replace aluminium and plastic laminates so that they can be recycled where facilities exist, an approach adopted by BAT Kenya. Considering this, BAT Kenya's recyclable materials amounted to 616 tonnes while other non-recyclable materials amounted to 14 tonnes.

## Tackling operational waste

In 2024 our operations generated 1,151.8 tonnes of waste, a reduction from 1,524.5 tonnes generated in 2023. Of this, 98.50% was recycled while 1.50% was incinerated, with zero waste sent to landfill. Food waste from our canteens at the Nairobi and Thika sites is collected by an approved vendor and converted to compost which is used as manure.

No	Type of waste	Weight in tonnes
1	Hazardous waste	18.17
2	Plastic and polythene	75.1
3	Paper waste	50.6
4	Boiler ash	0.0
5	Scrap metals	121.5
6	Solid waste	884.7
7	Liquid waste	1.8

Table 14: Types of waste in tonnes

As part of ongoing initiatives, we participate in various forums (e.g. Kenya Extended Producer Responsibility Organisation -KEPRO) aimed at championing proper management of waste, particularly post-consumer waste.

## Total waste metrics

Waste	Weight in tonnes	
	2024	2023
Total waste generated	1,151.8	1,524.5
Total waste sent to landfill	0.0	0.0
Total waste recycled	1,134.4	1,490.3
Incinerated waste	17.4	30.0

Table 15: Total waste metrics



<sup>8</sup> Our packaging's recyclability calculation excludes adhesive material used in our packaging.

## Sustainability Report



## Health and safety



## TARGET

- Zero accidents at BAT Kenya annually
- 100% of farmers and workers with sufficient personal protective equipment (PPE) for agrochemical use and tobacco harvesting.

## Our approach and performance highlights

The health and safety of our employees and those directly involved in our operations is a priority for us. The nature of our business presents various health and safety risks, both external (such as road traffic accidents) and internal (including machine related accidents). To uphold high health and safety standards, we have established a comprehensive Health and Safety (HS) management system, which includes a Health and Safety policy, as well as global procedures and guidelines. As part of this, we monitor HS performance across all our sites, with a dedicated team that analyses trends and identifies high-risk situations, ensuring a coordinated, cross-functional approach to address them.

During the reporting period BAT conducted a sustainability compliance review at BAT Kenya which included HS in our Kenya operations. Below are the selected findings.

HS Audit Entity/scope	Status	Recommendation
BAT Group Global Sustainability Compliance Review	Compliant	Enhance data collection on incidents, improve the risk assessment process.
Annual DOSH Occupational Health and Safety Audit	Compliant	Enhance the noise réduction programme
Annual DOSH Fire Safety Audit	Complaint	Improve on the fire risk assessment.

Table 16: EHS Audit Areas

## Occupational health and safety

As we work towards our target of zero accidents we place our focus on the timely and continuous identification of hazards, assessment of workplace health risks and maintaining appropriate controls. This is for the benefit of our employees and contractors, towards our goal for a zero-accident workplace. Related activities include strategic measures such as integrating health and safety objectives into performance objective, and tactical actions such as providing proper Personal Protective Equipment (PPE) as applicable.

## Nurturing a culture of Zero Harm

In 2024 we strengthened our “Back to Basics” HS programme whereby our staff were re-trained on the business-as-usual processes of occupational safety at the workplace. Key areas of reinforcement include:

- Safety tours with the Leadership Team: This sought to enhance visibility of the shop floor for our senior leadership and further demonstrate commitment to a preventive mindset approach to driving the right safety behaviours and support for the teams.
- Revamped Near Miss reporting at the site: This is to ensure our people understand unsafe conditions and unsafe acts, engage and empower employees at different levels throughout our organisation to contribute to HS and foster an effective HS culture.
- Upgraded the Lock Out-Tag Out-Try Out (LOTOTO) process on the site for locking out energy sources: Aim is to enhance LOTOTO process and increase visibility of LOTOTO process to process owners and Line Leaders.
- Risk assessments: Review of processes in each function, analysing hazards and checking effectiveness of the controls in place to mitigate risk materialisation.

## SITE SAFETY GOLDEN RULES



## 1. Lockout

LOTOTO to be applied always



## 2. Compliance

Obey all safety signage & procedures



## 3. Permit

Permit to work required for hazardous tasks (non-routine tasks)



## 4. Reporting

Report all incidents (unsafe conditions & acts, near misses)



## 5. Authorisation

Never operate / use unauthorised equipment



## 6. Protection

Always use defined PPE

Fig 9: Site safety golden rules.



## Sustainability Report

In our ongoing commitment to enhance safety in the workplace, we initiated a safety drive under the Integrated Work System (IWS) process, focusing on employee involvement. This initiative was aimed at not only increasing awareness about safety but also fostering a sense of ownership of their health and safety in the workplace at all levels within the organisation. Through this process, we worked to ensure that safety practices were deeply ingrained in our daily operations.

Despite these concerted efforts, we unfortunately recorded two serious injuries in 2024, one related to the operation of our manufacturing factory machinery by outsourced staff, and the other involving self-injury of a contracted leaf resource riding a motor bike. To mitigate the risk of reoccurrence, we instituted various measures including an update of our machine cleaning and maintenance procedures and the introduction of monthly safety sessions for all outsourced HS representatives, we reinforced refresher defensive riding sessions to all lead staff (including outsourced individuals). These sessions are designed to reinforce the importance of maintaining a strong safety mindset and ensure continuous improvement and heightened awareness of safety protocols at our workplace. This includes reviewing and tracking key safety concerns, such as identifying and addressing unsafe conditions and behaviours.

### Pulsar

Pulsar is a behaviour-based safety program aimed at preventing accidents and improving the safety culture by identifying safe and unsafe behaviours at the workplace. It is that part of our Incident Elimination (IE) Daily Management System (DMS) for IWS lines in our production departments, while various other tools are in use by other departments in our operations Function.

Objectives of Pulsar include to prevent injuries by monitoring behaviour performance and manage safety using leading indicators. This approach has led to provision of data that is sensitive enough to identify safe/unsafe trends and prevent injury before it occurs. Pulsar facilitates collective involvement in safety management and promotes a “safety culture” and behaviour feedback within the organisation as well as positive recognition of employees for outstanding performance in this area.

### Health and safety training

We continuously enhance our Health and Safety training to provide employees with knowledge, skills, and experience to undertake their work safely. In 2024, we conducted various trainings including, risk assessment, lock-out tag-out processes related to specific machine tasks and permit to work procedures amongst others. We also implemented the following statutory trainings:

Training	Number of people trained 2024
Defensive driving	25
First Aid	34
Fire safety	20
Manual handling	30
Control of Substances Hazardous to Health (COSHH)	30
Work at height	47
Defensive riding	14
Safety committee training	26

Table 17: Health and Safety training



## Sustainability Report



## Human rights



## TARGET

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



## Our approach and performance highlights

The BAT Group's approach to managing human rights is aligned to the UN Guiding Principles for Business and Human Rights. This is underpinned by our Standards of Business Conduct (SOBC) and Supplier Code of Conduct (SCOC) which outlines the need to conduct our operations in a way that respects the rights of our employees and rights holders across our value chain, as well as communities impacted by our operations. There are human rights considerations across our direct operations and supply chain. A key area of focus for us is our tobacco farming operation, managing child labour and health and safety risks. At BAT Kenya, we have implemented the following human rights-related measures in our tobacco farming operations:

## Managing human rights in tobacco farming

## Farmer safety

We implement several initiatives to improve the safety of our contracted farmers. These include providing recommended pesticides, with guidelines for safe usage. Additionally, farmers are trained on handling Crop Protection Agents (CPA), including storage and application practices.

To protect farmers from the risk of Green Tobacco Sickness (GTS) during fieldwork, we issue them with Personal Protective Equipment (PPE) for both CPA application and harvesting.

We actively monitor PPE usage and its condition throughout the tobacco growing season to facilitate compliance.

To enable the appropriate disposal of empty CPA containers, we run a takeback program where we issue farmers with disposal bags, which we collect for appropriate disposal. In 2024, 100% of farmers returned all empty CPA containers, as well as other chemical containers from their homes.

## Prevention of child and forced labour

Child and forced labour remain complex challenges, particularly in agriculture. According to the Food and Agriculture Organisation (FAO) of the United Nations, approximately 70% of child labour occurs in the agricultural sector, spanning crop production, livestock, forestry, and aquaculture.

We are aligned with the BAT Group's ambition to achieve zero child and forced labour incidents in our tobacco supply chain by 2025. We provide human rights training to our leaf operations employees, field technician officers, farmers and spouses, and the wider community which includes but is not limited to the prevention of child labour and advancement of workers' rights. Farmers also receive communication materials such as posters, booklets, and a Frequently Asked Questions leaflet to reinforce these messages.



## Sustainability Report

Throughout the season, we monitor and address any child labour incidents. We have governance measures in place to support child labour prevention, including a detailed Standard Operating Procedure outlining the due diligence and monitoring processes. If a case of child labour related to a directly contracted farmer is reported, it will be investigated, and if substantiated, results in contract termination and farmer off-boarding.

By the end of 2024, all contracted tobacco farmers had received training and capacity-building on child labour issues.

### Value and supply chain integrity

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

We are proactively engaging with our suppliers by conducting knowledge exchange sessions and collaborating on various initiatives such as tree planting.

Our Supply and Value Chain Integrity approach aims to drive compliance with applicable local laws as well as internal procedures and guidelines as follows:

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





## Sustainability Report



## Farmer livelihoods



## TARGET

- Support prosperous livelihoods for all farmers in our tobacco supply chain.

## Our approach and performance highlights

The majority of BAT Group's global tobacco leaf volume is sourced from the Group's own leaf operations to which BAT Kenya is a key contributor. Our tobacco farming operation in Kenya partners with directly contracted farmers to grow high quality tobacco leaf, which is purchased by the Company at competitive prices. In 2024, we contracted 1,870 farmers, mainly in Migori, Homa Bay, Bungoma, Meru and Busia counties.

We have deployed the BAT Group's sustainable agriculture and farmer livelihoods programme 'Thrive' in Kenya, which is anchored on five 'capitals': financial, natural, human, physical and social. We also participate in the Sustainable Tobacco Programme (STP), a global industry initiative to promote good practices in tobacco growing.

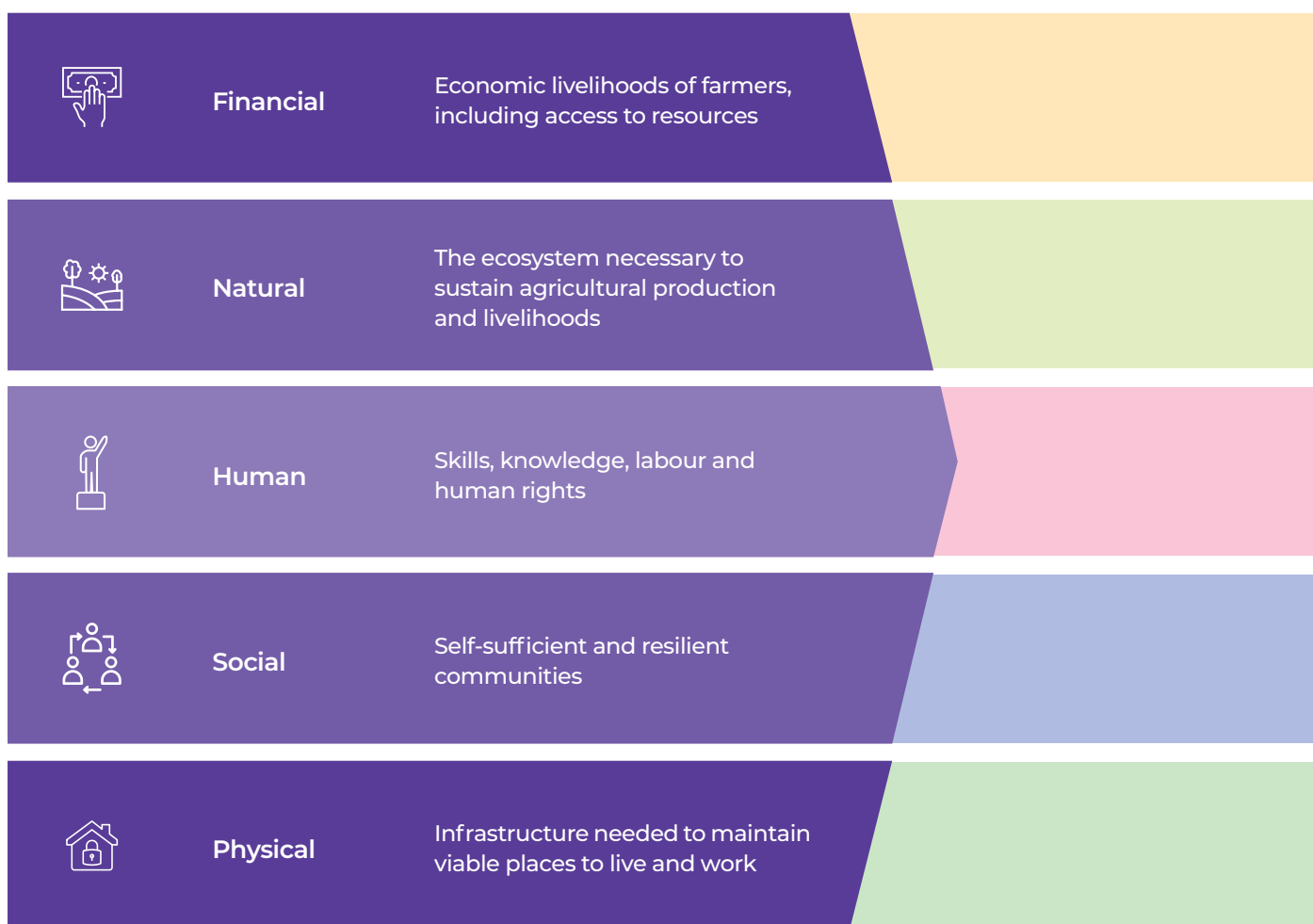


Table 18: The five 'capitals' of our Thrive programme

## Supporting farmers and building trusted relationships

We work with our farmers to develop and implement mechanised farming solutions and new technologies that help them scale up their production, reduce manual labour and minimise health and safety risks. Through our farm extension services, we also facilitate improvement of farmer productivity through training and capacity building, with our expert field technical officers (FTOs) playing a crucial role in this. They provide support for our farmers throughout the growing cycle, helping to develop their skills, promote better yields and build resilience.

The FTOs visit our contracted farmers approximately once a month during the growing season. In addition to agronomy support, this is an important way to train and monitor farms on human rights. The figure below demonstrates how our extension services support our contracted farmers throughout the growing cycle.



■ Fig 10: Extension services support to contracted farmers.

## Sustainability Report

# Case study:



## Enhancing Farmer Support and Promoting Good Agricultural Practices through Field Technical Officers at BAT Kenya

Field Technical Officers (FTOs) play an important role in maintaining high-quality agricultural standards. These officers are positioned strategically to address farmers' concerns, offer guidance, and aim to ensure that farmers have access to the necessary resources to enable their success. The FTOs provide essential extension services aimed at promoting Good Agricultural Practices (GAP) to improve productivity and sustainability within our tobacco farming communities.

Richard Wafula has been serving as a Field Technical Officer with BAT Kenya for the past two years. His primary responsibility is to visit and support approximately 58 farmers. He monitors their farming practices, offers technical advice on GAP, and ensures that the farmers adhere to the quality standards set by BAT Kenya. He also provides practical solutions to farmers' farming challenges, whether it involves guidance on pest control, fertilizer use, crop diversification, or ensuring the quality of produce.

To keep up with the dynamic demands of modern agriculture, FTOs at BAT Kenya are regularly trained on new standards, technologies, and farming techniques. Richard emphasizes the importance of continuous learning and upskilling to stay abreast with industry trends. He attended nine training sessions during the 2024 crop season, accumulating approximately 18 hours of training. These sessions covered a variety of topics, including human rights, health and safety practices, farmer sustainability management, agronomy practices like fertilizer application, chemical weeding, and crop diversification. BAT Kenya also organizes exchange programs within different regions, allowing FTOs to experience diverse landscapes and gain valuable insights through diverse on-the-job training opportunities.

Despite the numerous benefits of BAT's extension services, farmers still face several challenges. One of the most common issues is a shortage of labour, which can impact their overall productivity. To address this, we encourage and enable farmers to diversify their income by starting small businesses or expanding into non-tobacco crops and embracing mechanisation.

Another challenge is the resistance to adopting new technologies and innovations introduced by the Company. Some farmers find it difficult to embrace

new practices due to a lack of understanding or misunderstanding of the benefits. To overcome this, Richard and other FTOs work diligently to create awareness before new ideas or technologies are introduced. They engage in focus group discussions to collect farmers' feedback, conduct hands-on training, and set up demonstrations to illustrate the positive impacts of new practices or technologies. This approach ensures that farmers are kept informed and supported, which in turn increases the likelihood of successful adoption.

Climate change continues to present a significant challenge for farmers, with unpredictable weather patterns affecting crop yields and farming productivity. Richard and his colleagues at BAT Kenya encourage farmers to adapt to climate-smart agricultural practices, such as the use of drought-resistant crops and efficient water management techniques. By sharing knowledge on these practices, we help farmers build resilience against climate-related challenges, through more sustainable farming practices.

Richard's role as an FTO highlights how providing hands on support and guidance to farmers can help to maintain high agricultural standards. We are empowering farmers to overcome challenges, improve their practices, and ultimately achieve greater sustainability in their farming operations. Despite the hurdles posed by labor shortages, resistance to change, and climate-related impacts, we continue to promote engagement, education and support so that farmers are better equipped to succeed in a dynamic agricultural environment.



Richard Wafula



## Sustainability Report

### Sustainable agriculture

Agricultural supply chains face vulnerabilities from climate change, demand for natural resources, rural poverty, social inequality human rights concerns and ageing populations. This is why we are working to enable the prosperous livelihoods for all farmers in our tobacco supply chain. Despite the ever-changing climate conditions, our partnership with our tobacco farmers yielded 4.7 million kilograms of tobacco in 2024, earning them an approximate total net pay of KShs 1.122 billion.

BAT Kenya has a range of initiatives to promote sustainable agricultural practices as highlighted below. Further, we conduct research on ways to improve crop yields and enhance facilitate good agricultural practices. In 2024 we sustained and initiated various programmes covering the following areas:

#### Hybrid seeds

Following the introduction of hybrid tobacco seeds in 2022, we increased usage from 61% of farmers in 2023 to 100% in 2024. This has seen improved yields compared to traditional tobacco seeds.

#### Soil health

Healthy soil can provide nutrients and water to plants, filter the water, prevent pollution, store carbon and resist erosion. Soil health is determined by a variety of factors, including the presence of organic matter, the diversity of soil organisms, and the structure of the soil.

We recognise that healthy soil is important for good crop yields. Various threats to soil health include loss of biodiversity, soil erosion, low pH levels and loss of organic matter. In 2022 we rolled out a soil testing programme where soil pH levels were tested and corrected using liming. The correction of soil pH helps unlock nutrients and absorption by plants.

To augment these practical interventions, we train farmers on soil protection methods and monitor their use to determine areas of improvement. Our 2024 data showed that 90.2% of our contracted farmers implemented at least one best practice soil management method on their farms. This translated to 67.5% of hectares of tobacco crop. Some of the practices deployed included use of wind breaks, terracing, growing crops across the slope and locating tobacco nurseries away from water sources like rivers.

#### Input optimisation

To help ensure the integrity of the tobacco crop, we supply our contracted farmers with fertiliser, alongside guidelines on application. This is based on several factors including cost, tobacco variety, soils and carbon emissions rate.

BAT's tobacco leaf growing research team carries out trials to ascertain optimal fertiliser application rates and related information, which is then cascaded to our farmers. We also undertake on-farm demonstrations to enhance farmer understanding of optimal crop fertilisation.

### Pest management

The BAT Group Leaf Supplier Manual sets out the agrochemical guidelines that must be followed for all agrochemical use by all BAT operations globally. All agrochemicals used must be registered for use in tobacco growing with the relevant government agency. In addition, an annual agrochemical risk assessment is carried out to ensure that residues in packed tobacco comply with the Guideline Residue Levels in the Cooperation Centre for Scientific Research Relative to Tobacco (CORETSA) Guideline No. 1. Farmers are also trained in handling, storage and application of agrochemicals.

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

### Chemical weeding

Weeding is an expensive and labour intensive activity in farming. To help address this risk and reduce the cost of production by reducing manual labour use by our farmers, we introduced chemical weeding in 2024. It covers approximately 26% of the total hectareage with tobacco leaf.

### BATech Programme

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

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

The program is implemented through outsourced personnel who conduct regular visits to our farmers at various phases of the crop cycle. The process includes:

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

### Highlights

- Currently, 22% of the total tobacco hectareage of our contracted farmers is mechanically ploughed. These interventions help reduce the cost of production through reduction of manual labour and time taken to prepare land and transplanting seedlings from the nurseries. We have seen a reduction of man hours used to plough one hectare for first and second ploughing, from the

## Sustainability Report

traditional 15 and 10 hours respectively to 3.75. For ridging one hectare of land, this has reduced from 22.5 to 2.5 hours.

- Increased the total percentage of hybrid seeds used to 100 % of the total portfolio. These seeds are more vigorous and more resistant to drought.
- Mainstreaming of the Central Seedling Unit (CSU) also introduced in 2021 as part of the float bed nursery. The CSU is a top of the range technology-driven seedbed where tobacco seedlings are sowed, germinated, and hardened. Seedlings produced using this technology have a higher quality, yield and survival rate compared to those from conventional seedbeds. In 2022, the CSU venture was expanded through the de-centralised Seedling Unit programme, including taking the technology to the farmer homesteads where the seedbeds are constructed.
- Float bed nursery system: introduced in late 2021 and expanded over the years, with 34% of the current tobacco seedlings being grown through this method in 2024. This system requires less manual work e.g., watering and resetting and provides more uniform and vigorous seedlings due to precise fertilizer dosing. It also moves farmers away from establishing seedbeds near rivers in search of continuous water supply and reduces the overall amount of water used at the nursery stage of tobacco growing.
- To effectively implement new technologies, enhance yield, improve quality and drive sustainability in tobacco farming, a concerted effort is continuously being made to build the capability and skill levels of farmers through the introduction of specialised field technicians who support technology rollout and research. This is in addition to the existing internal and external training carried out. Extension services also help to ensure that product quality begins at the source - at the seed planting level to ensure that the final product conforms to stringent quality specification in terms of physical and chemical dimensions.

The introduction of technology and mechanisation has seen encouraging results and is a huge contributor to tobacco crop yield growth as well as efficient crop water utilisation in tobacco production. Water withdrawn is only used at the seedling development stage as the crop in the field is rain fed. The total amount of water withdrawn from tobacco farming in 2024 was 30,827.93m<sup>3</sup> with overall water efficiency at 10.85m<sup>3</sup>/Ha.

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

- Child labour prevention** – Continuous training and awareness for farmers, workers and farming communities on child labour and child rights and improving farmer living income which is one of the drivers to reduce the risk of child labour.
- Prosperous livelihoods** – Innovation and technology has increased farming efficiencies.

- Environment** – The BATech programme promotes environmental conservation by reducing the amount of water that is withdrawn and used for watering conventional nurseries. Any fertilisers and pesticides used are also contained within the float bed. As such, no wash-off can occur to water bodies, thus helping to mitigate water pollution. The float bed helps to ensure that all the water and fertiliser is absorbed by the plant, such that by the time the plant is being taken out for transplanting, the bed is completely dry.

These BATech technology initiatives have been implemented alongside Good Agricultural Practices (GAPs), which has further helped to deliver farming efficiencies and support farmer livelihoods.

- Living income analysis** – annual monitoring of farmer cost of production and profit levels to ensure that farmers are earning a living income.
- Water and sanitation programmes** – investment in rehabilitating water infrastructure in communities where we operate. This is to help ensure access to clean affordable water and enhances our overall water stewardship agenda.

### Complementary crops/diversification

We continue to promote farmer income diversification to help support their financial wellbeing. In 2024, we sustained our distribution of certified maize seeds to farmers to plant during the rainy season, issuing about 13.8 tons. This is aimed at enhancing food security and increasing household incomes through the sale of surplus maize harvests. We estimate that our farmer households consume 50% of the crop they grow and sell 50%.

For the third consecutive year, we also distributed over 11,650 avocado seedlings to farmers in 2024, at competitive prices. This is supported by monitoring of the survival rate of the seedlings annually to establish the success rate of the project. While it started off rather slowly, we have seen a gradual increase and are now tracking at a tree seedling survival rate of 25%. Further, in 2024 we progressed with a vegetable garden project for our farmers and distributed 21.5kgs of vegetable seeds, kale and black nightshade to 215 farmers and women in our women's development programme. The project contributed to food security by providing vegetables to the participating homesteads.

### Building farmer resilience

Through Thrive, we encourage our farmers to diversify their income sources, which can improve food security, reduce dependence on tobacco and increase resilience by supporting crop diversification programmes which are adapted to local environmental and socioeconomic realities. In addition, we engage farmers through empowerment programs such as community development initiatives, training on health and safety protocols, environmental management and grievance mechanisms.

## Sustainability Report



### Crop insurance

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

### Training and capacity building

To further support farmers to enhance their crop yields and livelihoods, we conduct regular training on various related topics. This includes how to improve tobacco growing and curing skills through specific tobacco growing, curing and barn management techniques. In addition to deployment of technology and innovation, this training has led to enhanced crop yields by approximately 6% in 2024 versus 2023. Additionally, we deployed training on crop diversification, women development, hygiene and sanitation and prevention of child labour.

### Women development

In 2023, we introduced a women's development programme aligned with the UN's Women's Empowerment Principles<sup>9</sup>. This programme is earmarked for five years from 2023, with BAT Kenya aiming to invest KShs10 million during this period. Both directly contracted women farmers and women in our farming community participated in the programme. Through

the two phases of the programme, training was provided to more than 600 participants on women's rights, financial literacy, entrepreneurship and agriculture. In 2024, BAT Kenya also participated in two further initiatives for income diversification of directly contracted female farmers. Beyond training, the entrepreneurship programme included two pilot projects on mushroom farming (Oyster mushroom). This project covered three regions (two grow houses in Oyani and one grow house in Malakisi) and onboarded 15 women who were initially trained on growing button mushrooms. We aim to explore a further rollout of the mushroom programme based on learnings from both pilots and feedback from the participants.

### RuWDep training programmes and highlighted outcomes in 2024:

Trainings conducted	Percentage of farmers
Farmers trained on crop diversification	74.1%
BAT Farmers trained on women development	3.9 %

Highlighted outcomes	Percentage of farmers
Tobacco farmers reported to grow crops for food or income diversification	98.9%
Contracted farmers and other farmworkers having access to PPE	100.0%

Table 19: RuWDep training programmes and key outcomes 2024



## Sustainability Report

# Farmer Spotlight:

In the heart of rural farming communities in Migori, Bungoma and Meru, BAT Kenya's Rural Women Development Program (RuWDep) supports women tobacco farmers by equipping them with essential skills, financial resources, and opportunities to thrive.

The initiative has helped them increase their income, and enhance their economic independence, as well as the wellbeing of their families.

Everlyn Akisa, who has 15 direct dependants in her family, is among the many tobacco farmers from Kolait Kakemer, in Western Kenya who have partnered with BAT Kenya for the past fifteen years. She attributes the program to helping her improve farming practices and livelihood.

"My 15 year partnership with BAT Kenya has been rewarding. The RuWDep program, has helped me gain valuable farming skills and financial knowledge on increasing my crop yield and income. I feel that I can better provide for my family, invest in my children's education, and plan for the future." Ms. Akisa shared.

For years, women in rural farming communities have faced limited access to financial support, agricultural training, and leadership opportunities. However, the RuWDep initiative aims to address this situation by empowering them with microfinancing options, savings programs, and sustainable farming techniques that support both commercial agriculture and food production.

Launched in 2023, RuWDep aims to empower over 1,600 women by 2028, in Oyani, Malakisi and Giaki located in Migori, Bungoma and Meru counties, respectively. The beneficiaries are either directly contracted farmers by BAT Kenya or spouses of contracted farmers.

"My farm spans 12 acres, and besides tobacco, I cultivate a variety of crops such as maize, beans, millet, potatoes, soya and vegetables. This has helped ensure availability of enough food for my family" she adds, highlighting the impact of her increased awareness of various crop diversification programmes.

Programs like RuWDep not only uplift individual women but also contribute to the broader goal of gender equality and women's development in the community.

A key component of the initiative is hands-on training in modern and more sustainable farming techniques. Women learn soil conservation, water management, and crop diversification methods. The program also

promotes alternative income-generating activities, thereby reducing dependency on tobacco, through issuing vegetable seed to the farmers.

"Apart from crop diversification, other topics covered in different trainings include nursery preparation, human right, workers' rights, grievance mechanism, wood fuel, weeding, plantation, curing, chemical application as well as child labour prevention. I also appreciate that a field technician visits our farms regularly to monitor our progress," she says.

The first and second phases of the program have so far covered more than 600 women.

The program hopes to have an impact beyond individual farmers, by encouraging women to reinvest in the community, to fund education, improve household nutrition and mentor other women farmers.

BAT Kenya's Leaf Sustainability Manager, Harriet Rwanda highlights the shift:

"As we continue to expand the program in the coming years, we hope to see enhanced benefit to those rural farming communities. The long-term goal is to establish self-sufficient communities where women are equipped to drive economic growth and agricultural innovation."



Everlyn Akisa

## Sustainability Report

# Case study:

## BAT Kenya's-Kimaeti Borehole Project – A Commitment to Sustainable Development and Community Wellbeing



We seek to deliver a positive social impact by not only engaging in responsible business practices but also contributing to the wellbeing of the communities where we operate. An example of this commitment is our borehole project in Kimaeti, Bungoma County, designed to improve access to clean, safe, and reliable water for the local community.

Access to clean drinking water is a fundamental human right, yet many communities still face challenges in securing this essential resource. Aligned with our sustainability agenda, which emphasises human rights, we initiated this water provision project to enhance water accessibility.



In 2022, we identified the need to improve the water infrastructure at Kimaeti. Initially, KShs 516,825 was invested to install solar pumping infrastructure, but the water yield was insufficient to meet the system's demands. To address this, it became necessary to drill an entirely new borehole and upgrade the solar equipment. Prior to drilling, several essential checks were conducted. The land housing the borehole was verified as public land through a legal search, and a hydrogeological survey confirmed water at a depth of 120 meters. An Environmental Impact Assessment (EIA) was also carried out, and approval was granted to proceed with the project, subject to conditions ensuring minimal environmental impact.

The total investment into the project amounted to KShs 2,181,449 covering borehole drilling, solar equipment upgrades, and costs of the survey and EIA. The borehole was officially opened in December 2024, with our Managing Director, Crispin Achola and key community stakeholders in attendance.

Through this initiative, we seek to promote sustainable development and improving community wellbeing and reflects our ongoing dedication to creating shared value for both society and our business.

### Land rights

We carry out annual monitoring and mapping of land used for tobacco growing by our directly contracted farmers to help determine the legal status of the land. This is to help us ensure our tobacco farming operation is compliant with relevant regulation.

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

Prior to contracting new farmers, we check various related aspects, including whether the farm is located near an area of biodiversity concern. If an existing farmer is located near a key biodiversity area, then a biodiversity management plan will be put in place and monitored in collaboration with the farmer.

We also train farmers on legislation developments that are relevant to them.

### Community resilience and engagement

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

With regard to the wider community, we engage them through the local and county governments including for the deployment of community programmes this helps ensure that these initiatives are aligned to the actual needs of the community. To this end, we have previously carried out environment clean-up activities, along water, health and sanitation (WASH) initiatives. In 2024, we successfully completed and handed over a community borehole located in the Kimaeti – Bungoma County for use by all community members.

## Sustainability Report



## People, diversity & culture



### TARGET

- 45% representation of women in Senior Leadership Teams at BAT Kenya by 2025
- 5% representation of people with disabilities in BAT Kenya by 2025 (market specific)

### Performance highlights

Our people are a cornerstone of our success as a business, and as we continue on the journey of transforming our business, we want to attract the best talent and offer an inspiring place to work.

The BAT Group's People Strategy is centered around three ambitions set to be achieved by 2030: enabling tomorrow's success for our business and colleagues, creating an amazing people experience, and providing a purposeful place for both current and prospective talent.

These ambitions are anchored on our six corporate values, which serve as a guide on what is expected from employees in achieving the collective vision of Building a Smokeless World.

- **BAT Kenya Diversity and Inclusion (D&I Strategy)** - which is built on strategic pillars for ownership, accountability, diverse talent pipelines and enablers, all fostering an inclusive culture.
- **Group Employment Principles** - which encompass commitments to a diverse workforce, reasonable working hours, employee wellbeing, talent, performance, equal opportunities and competitive remuneration.
- **Group Standards of Business Conduct (SOBC)** - which include the Respect in the Workplace Policy, outlining commitments to equality, diversity, anti-harassment and safeguarding employee wellbeing.
- **BAT Kenya Health & Safety Policy** which outlines our commitment to apply the highest international standards of health and safety for our employees as well as third party personnel on company premises, and to help achieve our goal of zero accidents.

### Diversity and Inclusion (D&I)

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

### Gender mainstreaming

We seek to promote equity in gender representation across BAT Kenya. One of our key D&I targets is achieving 45% representation of women in senior Leadership Teams in our

organisation by 2025. We have exceeded this target, tracking at 69% as at 2024.

We have invested in initiatives targeting both men and women, including embedding gender driven affinity programmes in our workplace (Men in BAT and Women in BAT). These groups provide employee driven safe spaces for them to share and engage on diverse life and professional experiences to support learning and development as well as fostering employee wellbeing.

### Breakdown of employee gender representation in BAT Kenya (2024)

Head count	Head count	Women	Men
Full Time Employees	356	110 (31%)	246 (69%)
Global Graduate Management Trainees (Considered as fulltime employees)	2	2 (100%)	-
Interns	31	19 (61%)	12 (39%)
Apprentice	8	3 (63%)	5 (37%)
<b>TOTAL NUMBER OF EMPLOYEES</b>	<b>397</b>	<b>134 (34%)</b>	<b>263 (66%)</b>

Table 20: Breakdown of employee gender representation in the organisation in 2024

### Breakdown of gender per Function

FUNCTION	Women	Men
Operations	45	196
Marketing	45	34
Finance	16	18
Corporate, Regulatory Affairs,	7	3
Legal & Security	6	4
Information Digital Technology	4	4
Exec & Corp Services	-	2
Human Resources (HR)	11	2
<b>Grand Total</b>	<b>134</b>	<b>263</b>

Table 21: Breakdown of gender per function



## Sustainability Report

### Men in BAT Kenya

Integrating our male colleagues in our Diversity, Equity and Inclusion agenda was accelerated following the launch of the Men in BAT (MIB) - Kenya – affinity group in November 2024 under the tag line “valued, supported and heard for A Better Tomorrow™”. The intent and ambition of MIB is to build a workplace where men feel safe to share their emotional state, their vulnerabilities are respected and their journey towards emotional wellbeing is supported.

- To drive positive experiences and engagements;
- Developing initiatives to support men in their life stages while positively impacting them through their Hire to Retire stages; and
- Fostering an inclusive culture that promotes open dialogue, thought leadership conversations and drive for excellence in execution through the BAT values.

### Women in BAT Kenya

Women employees in BAT Kenya are part of wider affinity groups in the BAT Group (Women in BAT or WiB) and the Sub-Saharan Africa Area (SSA). The SSA Chapter of WiB has over 500 members, who benefit from a sense of belonging and empowerment through the various initiatives deployed by the group. Members volunteer time and energy in numerous ways to support the WiB community, with particular focus on the following pillars: Networking & Professional Development, Awareness & Empowerment, Allyship, External Engagements and Women's Network.

### Persons with disabilities

We continue to promote accessibility and inclusion for Persons with Disabilities (PWDs). This includes employees with hidden or visible disabilities and those with neurological and mental health conditions. In 2024, we championed diversity awareness activities to sensitise employees on inclusion of PWDs in the workplace, covering etiquette, emergency response and evacuation of PWDs and encouraged employees to self-declare their disabilities, to enhance inclusion discussions.

Our commitment to supporting PWDs continues to progress, evidenced by our partnership with the National Council for Persons with Disabilities (NCPWD) and FUZU Recruitment Agency Kenya Limited. As registered employers, we actively post job openings and invite applications for various positions from a diverse group of applicants.

During the year, we are proud to have received the Luminary Award from Black Albinism on International Albinism Awareness Day for our efforts in championing albinism awareness and our continued collaboration with key partners. These include the Kenya Business Disability Network (KBDN), NCPWD and various universities, strengthening our support network for PWDs in our region.

In addition, we reclaimed the Mainstreaming Gender and Disability East Africa Award at the 2024 Gender Mainstreaming Awards.

### Generations

We believe that diversity in age representation brings about different perspectives which enrich our business strategy and ways of working. We have seen a steady increase of the latest generation in our organisation as they enter the workforce. The table below shows disaggregated data of BAT Kenya's employees age profile in the last year.

#### Employee generational bracket in 2024

	Gender	
	2024	
	Male	Female
Gen X (1965 – 1980)	105 (87%)	16 (13%)
Gen Y (1981 – 1996)	138 (61%)	87 (39%)
Gen Z (1997 – 2012)	20 (39%)	31 (61%)

Table 22: Employee generational bracket

### Fit for purpose organisation design.

Positioning ourselves for sustained growth requires embracing change and recognising the need for transformation to evolve. In 2024, we focused on driving business simplification as part of our commitment to building a future-ready organisation. This involved optimising various roles and structures to enhance efficiency and support our business transformation goals.

We added 16 new hires into our organisation. During the year, 70 employees changed roles through promotions or lateral moves, testament to our commitment to continuous talent development.

### Organisational culture and building a legacy of leaders.

#### Workforce engagement

Our workforce engagement strategy centres around ongoing and open dialogue between employees and the leadership, enabling us to create a more collaborative and inclusive culture. We have a range of engagement channels to better understand employee perspectives, including market and site visits by the out of market and local leadership, townhalls, Q&A sessions, among others. In 2024 the local leadership team held a session with employees to hear their views on the Gen Z led civic demonstrations and collaborate in addressing any related issues where relevant. We also deploy regular employee listening tools, including the Your Voice Engagement Survey on specific topics with in-depth focus groups.

#### Listening to our workforce!

The BAT Group's Your Voice Survey (YVS) is one of BAT's key listening channels. It helps us understand what our employees value, what they believe is working well, and what areas need improvement. In the 2024 YVS, BAT Kenya score 85% on the Sustainable Engagement Index. This index measures the intensity of employees' connection to the organisation, characterised by their committed effort to achieve goals (being engaged) and their maintained personal well-being (feeling energised).

## Sustainability Report

### Our Leadership Academy and employee development

We offer a diverse array of leadership programs designed to support employees at their current level and guide them upon promotion. These programs encompass a wide range of topics, including Line Manager upskilling, and effective leadership of self, teams, and others.

We take proactive and steps to develop and nurture top quality talent through various programmes, covering personal and professional growth. We believe in nurturing and accelerating careers internationally, leveraging on BAT's global presence. As a net exporter of talent, we had 21 Kenyans working for other BAT entities abroad versus three expatriates working in our Kenya entity.

### Internal and local to local assignments 2024

Type	Total	Female	%	Male	%
International Assignees	13	4	31%	9	69%
Local to Local	8	3	37.5%	5	62.5%

Table 23: International and local to local assignments

In 2024, we remained dedicated to enhancing our employees' competencies and skills while fostering new ones to drive the organisation towards its goals. This was achieved through various platforms, as detailed below.

### The GRID

The GRID is one of our main training tools/sites utilised by our employees to complete various courses, The GRID provides training on both technical and soft skills. It also offered

individual and recommended courses that empowered employees with both people and Functional capabilities. The platform helped to enhance employees' skills and knowledge, contributing to their professional growth. The Grid also played a pivotal role in shaping our organisational culture by promoting our core values and fostering a respectful workplace. Through initiatives like the "Values Playlist" and "Respect in the Workplace," it has helped create an environment where everyone feels valued and respected. Through the Grid-utilised by 188 employees, we achieved a total of 889 learning hours.

### EdApp

EdApp is a learning tool specifically designed for our Trade, Marketing and Distribution (TM&D) team, enabling learning on the go. It provides flexible and accessible training options, allowing employees to enhance their skills and knowledge at their convenience. The platform is used for various courses, which help to establish a foundational understanding of commercial acumen principles for sales representatives and retailers. The impact of EdApp is evident in the improved performance and capabilities of the team and is utilised by 100% of the TM&D team.

These training platforms collectively contributes to a culture of continuous learning at BAT Kenya, empowering employees to enhance their capabilities and drive the organisation's success. To ensure the effectiveness of our continuous improvement efforts, all employees participate in a comprehensive performance management cycle.



## Sustainability Report

# Woman in STEM Spotlight:

I embarked on my journey with BAT in 2021 through the Global Graduate Program, an initiative that combines rigorous training with exposure to various aspects of the business. This program provided me with the opportunity to grow both professionally and personally, while enhancing my skills and expanding my knowledge in a fast-paced environment. The comprehensive nature of the program allowed me to experience multiple facets of the business, which laid a strong foundation for my future within the company.

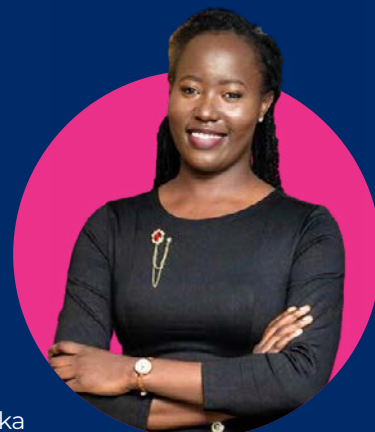
Upon completing the program, I was promoted to Assistant Manager, Operations Finance in January 2022. In this role, I was entrusted with leading significant initiatives, including the automation and redesign of the ESA Operations KPIs reporting template, supporting the successful execution of company planning cycles, and playing an instrumental role in new product introduction projects through detailed cost simulations. These responsibilities allowed me to develop a deeper understanding of the Company's financial operations while contributing to the overall success of key projects.

In November 2023, after taking maternity leave, I returned to work with a promotion to the position of Corporate Finance Manager. I was entrusted with the responsibility of managing statutory reporting for the Kenya legal entity, including preparing Financial Statements, overseeing audits, and providing team leadership. I am proud to say that my career progression remained unaffected by my time away, a testament to demonstrating the company's supportive culture. This experience reinforced my belief that BAT Kenya

aims to provide an environment where employees are empowered to thrive both professionally and personally.

My journey at BAT has been incredibly fulfilling, and I am grateful for the tools, resources, and leadership that have been provided to me. The company's support has been essential in enabling me to continue building on my drive and ambition, and I am excited to continue advancing in my career within the finance function.

Looking ahead, BAT is committed to fostering an environment that promotes growth, mentorship, and opportunities for all employees. As I continue to progress in my career, I am eager to give back to others by offering mentorship and guidance to new employees. The opportunities for development within BAT's finance function are immense, and I look forward to supporting others in achieving their career goals, just as I have been supported.



Brenda Yuka

## Employee wellness

As part of our journey to continuously improve our Employee Value Proposition, we seek to support the wellbeing of our employees. This is anchored on three key pillars: Physical, Emotional, and Financial wellness. Through these wellness initiatives, we support and meet the needs of our diverse employee population.

*Physical wellness* activities during the year included hikes, cycling, soccer, danceathon and participation in the annual Standard Chartered Marathon.

The robustness of our wellness program also catapults our employees to drive their own wellness. Last year, two of our employees conquered Mt Kenya ticking of a major activity on their personal wellness bucket list.

**NOW**  
NURTURING OUR WELLNESS



## Sustainability Report



Our continued focus on our employee wellness yielded remarkable benefits. For instance, we saw a 24% increase in employee participation in our Annual Wellness checks through which we noted a reduction in the incidence of certain lifestyle conditions.



**Emotional wellness** covers mental and emotional wellness of our employees. Focus areas include awareness on psychological safety, where we created more opportunity for employees to speak up on areas of concern. This is important as it also aligns with embedding a Truly Inclusive work environment. Psychological safety is key in ensuring that our employees freely express their thoughts, provide feedback, disagree respectfully and voice opinions without fear of judgment or repercussions. It fosters an environment where team members feel valued, respected, and empowered to take risks or initiative without fearing retribution, humiliation, or negative feedback.

Promoting a Neuroinclusive workplace is also important as it emphasises the value and strengths that different employees bring to the workspace. This is while strengthening work experiences that accommodate diverse ways of working and thinking. Last year we held awareness sessions with our Women in Operations discussing Neurodiversity and the value that this brings to our organisation.

### Financial wellness

Financial wellness did not miss its share of representation in this worthwhile journey. Awareness is key in empowering our employees in their quest to building A Better Tomorrow™, securing their now and the future, for themselves and their loved ones. We facilitated awareness sessions on different aspect such as budgeting.

### Parents@BAT

This is a programme aimed at supporting both biological and adoptive parents at the workplace. Its benefits exceed existing legal requirements, including a minimum of 16 weeks fully paid maternity leave for new mothers and adoptive parents, 10 days paternity leave and a return-to-work guarantee. It also includes flexible working opportunities and an online advice service offering coaching support. At BAT Kenya, this also includes two onsite mothers' rooms at our Nairobi premises where nursing mothers can express breast milk and attend to related needs. Parents do not bring their children to work as access to our premises is restricted to persons over the age of 18 due to the nature of our business.

Supporting parents at work is the right thing to do. Furthermore, we believe employees who feel supported in their parental roles are more engaged and productive. By investing in such initiatives, we believe that employees are being given the space they need to succeed.

### Flexible working

Flexible hours refer to employment practices that introduce workplace flexibility in terms of time. The rationale for flexible hours is so that it can:

- Provide for inconveniences caused by heavy traffic.
- Provide for improved work-life integration.
- Address work expectations of emerging talent pools, thereby improving talent retention.
- Empower the individual to manage his/her output.

We are committed to a working environment that is conducive to efficient service delivery and is sensitive to the personal circumstances and individual needs of our employees. The Company believes that work-life integration will be enhanced through flexible working hours, as these will enable individuals to adapt their working arrangements to suit unique circumstances in line with our Core Value of being Consciously Responsible. At BAT Kenya, office staff are required to work from office a minimum of three times a week while the other two days are at their discretion to either work from the office or from home/remotely.

## Sustainability Report

While the Company adopts a more flexible approach to work, employees are expected to be adaptable, responsible and responsive to business needs, working in a manner that ensures effective job performance. This commitment aligns with our Diversity and Inclusion agenda and reinforces our reputation as a great place to work.

### NextGen

The NextGen programme was initially introduced as a flagship mentorship programme to drive our D&I agenda and build a talent pool of young talent that could feed into BAT Kenya's talent pipeline. Over the years NextGen has evolved into the umbrella programme encompassing various initiatives including: The Mind the Gap Mentorship Programme, our Internship and Global Graduate Programmes, and Battle of Minds.

### Mind the Gap

Through Mind the Gap our student mentorship programme aims to impart adult students in the final years with skills to help them transition into the world of work. We seek to continuously build a solid bench of entry level talent and contribute to the preparation of continuing adult students with disabilities and those in science, technology, engineering and mathematics courses (STEM), for the world of work. Institutions participating in our Mind the Gap programme include the Kenyatta University (KU), University of Nairobi (UON), Rongo University and the Jomo Kenya University of Agriculture & Technology (JKUAT). In 2024, the NextGen programme had a cohort of 71 university students.

BAT managers work closely with the learning institutions to deliver mentorship, and a curriculum of soft skills training needed to thrive in the workplace. Not only did the students get an opportunity to virtually experience a day in the life of a BAT employee, but they also gained invaluable knowledge from the soft skills modules.

### Battle of Minds

BAT's global Battle of Minds competition (BOM), a component of our employer value proposition (EVP), offers adult final-year university students or recent graduates the chance to present innovative business ideas addressing Environmental, Social, or Governance (ESG) challenges. Participants have the opportunity to secure funding for their winning project and or potential employment at BAT.

In 2024, the BOM programme received an outstanding 73 submissions, with participants in the global pitch focusing on Product and Artificial Intelligence (AI) challenges. We were proud to see an AI entry from Kenya sailed through to the global finals and emerged 2<sup>nd</sup> place.

### Reward and Remuneration

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

In 2024, we upgraded our employee recognition app and realigned it with our new values, promoting a culture of recognition that includes both cash and non-cash awards. To improve understanding of our recognition practices, we conducted reward education sessions.

### Industrial relations

Industrial relations and engagement with unionised employees is an essential part of enabling engaged and motivated teams and providing a cordial working environment. To drive this, we work hand in hand with related external stakeholders, such as the Trade Union to which 106 of our (factory) employees were members of the Kenya Union of Commercial Food and Allied Workers – KUCFAW. The Collective Bargaining Agreement (CBA) for unionised workers at BAT Kenya is an impact tool that ensures we remain competitive and attract, nurture and retain strong talent to facilitate our strategic imperatives. There were no revisions made to the CBA provisions in 2024.





## Sustainability Report

### Breakdown of the key provisions in the Apr 2023 to Mar 2025

Item	Statutory requirement	CBA provision
Basic pay	KShs 28,487	KShs 64,857
Leave allowance	Minimum not provided	KShs 28,000 per annum
Housing allowance	Up to 15% of basic pay	KShs 29,550
Shift allowance	Minimum not provided	Up to 17% of basic pay
Redundancy	15 days for every year worked	4 days for every month worked
Meal allowance	Minimum not provided	Provided
Leave	Annual leave: 21 days Sick leave <ul style="list-style-type: none"> <li>30 days on full pay</li> <li>15 days on half pay</li> </ul>	Annual leave: 30 days Sick leave: <ul style="list-style-type: none"> <li>3 months on full pay</li> <li>3 months on half pay</li> <li>3 months on 1/3 pay - in any given year</li> </ul>
Acting allowance	Minimum not provided	17% of basic pay
Responsibility allowance		19% of basic pay

Table 24: Breakdown of the key provisions in the 2023-2025 CBA

### Pay equity

We firmly believe that gender pay equity is key for an inclusive environment where individuals can thrive, facilitating exceptional business results. In line with this commitment and our reward strategy, we conduct an Annual Salary Review (ASR) where salary increases are awarded based on an employee's annual performance rating. Line managers facilitate this process transparently in line with set guidelines, considering the employee's position within the salary band of their grade. We continuously monitor pay gaps across grades based on market dynamics. At each grade level, we offer market-competitive pay ranges that employees can progress into based on performance and tenure. Top performers continue to benefit from an accelerated pay increase matrix.





## Sustainability Report

# PAY GAP REPORT

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

At BAT, we use 'Total Pay' to recognise performance. We invest significantly in employee development to ensure that employees can perform at an optimal level and bring their uniqueness and contribution to the business. For each grade level, we have market-competitive pay ranges that our talent can grow into, depending on their performance and time in grade. This is the main determinant of any existing pay gaps, where there are less women apply for technical jobs. Pay growth can be accelerated by a pay increase matrix that awards higher pay increases for top performers.

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

*Distribution of average time in grade per gender*

Men | Women

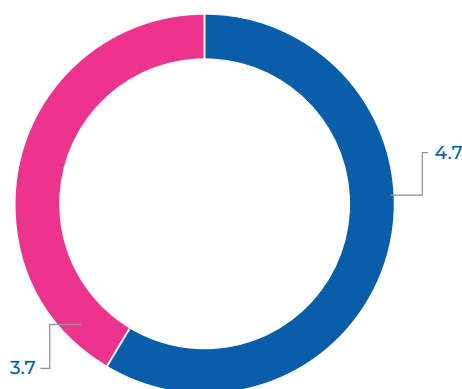


Fig 11: Average time in grade per gender

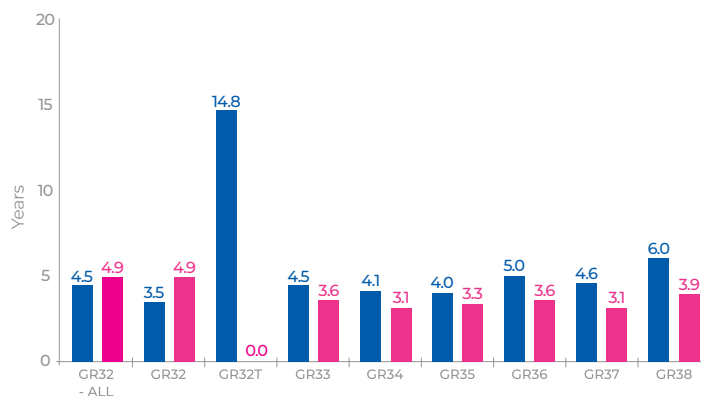


Fig 12: Distribution of average time in grade per gender

*Average Gender Base Salary Gap Per Grade*

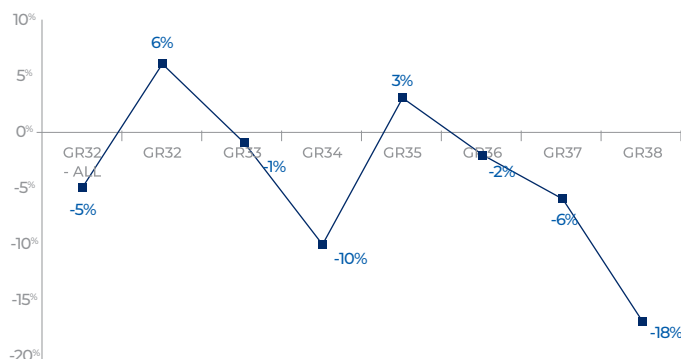


Fig 13: Average gender base salary gap per grade

On average, men spend more time in grade compared to women, which in turn has progressed salaries for men over time, compared to women.

## Sustainability Report

### Headcount

Headcount - Gender representation per grade

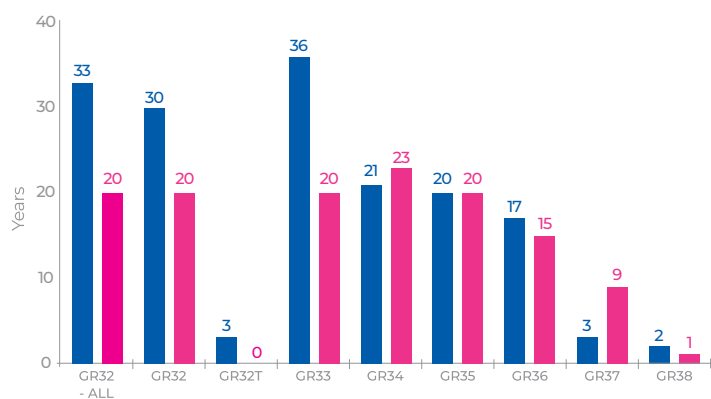


Fig 14: Headcount- Distribution of Gender per Grade

At senior management level (G37+), we recorded 69% representation of women in 2024, a significant improvement from 57% in 2023. An increase of 3% in the overall representation of women (G32-38), to 45% in 2024 compared to 2023 is also noted. We remain cognisant of the need to and continue to drive our ambition to enhance the representation of women at BAT Kenya.



## Sustainability Report



## Responsible sales practices and communication



### GOAL

- Ensuring responsible sales practices for all our products

### Our approach and performance highlights

We can only achieve sustainable, long-term growth as a business through responsible selling of both our tobacco and nicotine products. Our approach to responsible selling is governed by the BAT Group Responsible Marketing Principles (RMP) and local laws. The RMP emphasizes responsible, accurate and adult targeted sales practices and communication. A crucial aspect of responsible selling is prevention of Underage Access Prevention (PUA), supported by guidelines and toolkits including third-party distribution channels.

#### Preventions of underage access

We are clear that our products are targeted at adults only. At BAT Kenya, we have a programme for the prevention of underage access to our products, which covers various aspects, including:

- 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.
- 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.

### Building sustainable trade partnerships and future-fit capabilities

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

To enhance customer capabilities in 2024, we continued the roll out of our Business-to-Business solutions whose benefits, include reduced route to market costs, enhanced efficiency, data centralisation for ease of access and reporting as well as scalability and competitive advantage. Our leveraging of technology to power market model changes, automate several processes including Trade Marketing Representatives Dynamic Routing Anaplan system and Distributor Invoice Automation in the trade also continued during the year.

Our business-to-business digital platforms Khonecta and Biz Track continued to facilitate efficiency and improve trade

performance. Khonecta is a web-based platform that has enabled paperless communication and sales management for over 10,000 wholesalers, while Biz Track has been deployed to over 300 active wholesalers, enabling them to digitally track their sales, and manage their stock and cash flows.

In 2024 Biz Track recorded – 96% utilisation while Khonecta was at 94%. This has shown increasing utility driving positive order behaviour, increased engagement with B2B content, including reinforcement of Prevention of Underage Age education. We recognize that there is need for enhanced training and reinforcement to drive retailer behaviour toward use of the ecommerce platforms.

### Quality assurance

We have a quality management system in place, supported by the Quality pillar within the Integrated Work System (IWS) at our factory. Our approach to quality management involves active employee participation in quality processes, with a focus on reducing product defects and seeking to ensure we meet the needs of our consumers. We consistently work to minimise product quality issues in the manufacturing process. To this end, we have implemented digital solutions (Mobile Vista for product defect classification and Global Lab Quality Vista for training on product quality) to enhance product quality, integrity, and traceability.

When they occur, reported product defects are handled through a robust corrective action/preventive action (CAPA) process embedded in our quality assurance management system as guided by the BAT Group. Additionally, we align to the provisions under the following licenses and certifications which include ISO 9001:2025 standards, Alliance for Water Stewardship (AWS), ISO 17025. Locally, our products are regulated by Kenya Bureau of Standards, Weight and Measures Act, East Africa Standard (EAS 110) to further enhance our quality measures.





## Sustainability Report

18+

## Ethics and compliance



- Full compliance with the BAT Group's Standards of Business Conduct (SOBC) and governance processes and procedures

## Our approach and performance highlights

Building trust with stakeholders is critical to our business. We promote ethical behaviour and monitor compliance through governance systems, processes and communication. BAT Kenya's corporate governance framework is guided by both global and local BAT policies, principles and procedures as well as local laws, which drive sustained efforts to do the right thing.

The following governance policies were updated in 2024:

- Standards of Business Conduct (SOBC):** Sets out BAT's policies for: Speak Up; respect in the workplace; human rights; health; safety and welfare; environmental; lobbying and engagement; conflicts of interest; anti-bribery and corruption; gifts and entertainment; political contributions; community investment; protection of corporate assets and financial integrity; competition and anti-trust; anti-money laundering and tax evasion; sanctions; anti-illicit trade; data privacy; and cybersecurity, confidentiality and information secure. Available at [bat.com/principles](https://bat.com/principles). The Group regularly reviews the SOBC to maintain pace with the dynamic external environment and ensure that we meet legal and regulatory requirements in a manner consistent with BAT's values.
- The Group Supplier Code of Conduct (SCOC):** Covers compliance; human rights; environmental sustainability; trade and marketing; business integrity; and cybersecurity, confidentiality and information security.
- The Group Responsible Marketing Principles:** were updated to the Responsible Marketing Principles (RMPs) in 2024. The RMPs govern the marketing of all BAT products and include the requirement for all BAT marketing to be targeted at adult consumers only. The RMP is supported by the Responsible Marketing Code.
- Policies Management Policy (RMP):** The PMP sets out the procedure to be followed by all Company Functions when creating new policies or amending existing policies.
- Contract Management Policy (CMP):** The revised CMP simplified compliance requirements for contracts across Sub-Saharan Africa (SSA) including Kenya. The policy was updated to align with our values, which define our actions, decisions, and interactions.

## Sustainable Decision Making

In 2024, we rolled out the Sustainable Decision Making (SDM) programme. SDM aims to strengthen internal governance and controls by fostering a culture where employees feel safe and empowered to speak up and actively contribute to the success of the business. The programme is ongoing with the following key focus areas - education and awareness, governance and controls, open dialogue and ownership

mentality - to catalyse doing the right things and fostering the continued development of more responsible and forward-thinking organisation. We seek to further embed SDM across all our business operations.

## Anti-Financial Crime (AFC) management

The Third Party Anti-Financial Crime Procedure sets out Group-wide minimum mandatory steps required for our dealings with third parties. Designed to assess and mitigate third-party risks regarding: bribery and corruption; money laundering; terrorist financing; illicit trade (supply chain compliance); sanctions; and the facilitation of tax evasion. The BAT Group's framework to support the management of bribery and corruption risks within its operations includes:

- Employee training and the cascade of relevant updates to procedures
- Conducting due diligence on potential service providers and other third parties before onboarding them. As required, due diligence includes investigating any source of funds, payment arrangements, sanctions risks, and tax compliance among other factors.
- Risk based AFC clauses in contracts with service providers and other third parties.
- Ongoing management and recertification of suppliers and other third parties
- BAT Kenya drives compliance by providing all employees with guidance for operational implementation of the AFC Procedure focusing on "10 Golden Rules of AFC" driven through an employee engagement initiative – Sustainable Decision Making.
- Periodic reviews of policies and procedures to ensure they are up to date and capture emerging issues.

## Preventing &amp; addressing non-compliance

To enhance business integrity, our stakeholders, including employees, undergo annual governance training on various disciplines. The following were conducted in 2024:

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

In 2024, seven (7) breaches of the SOBC were confirmed following investigations and appropriate remedial actions were taken.

## Sustainability Report

### *Safeguarding data privacy and protection*

We handle organisational and personal data responsibly and in compliance with applicable data privacy laws. To facilitate this, BAT Kenya has implemented data privacy and cybersecurity policies and procedures.

This is enhanced through Cybersecurity awareness training for all new employees as part of their on-boarding program.

Examples of our data protection measures include:

- Multi-factor Authentication (MFA): Access to our systems requires MFA, adding an extra layer of security.
- Regular audits: We conduct regular audits to identify and address potential vulnerabilities.
- Data anonymisation: Personal data is anonymised in line with applicable laws to protect individual privacy.
- Incident Response Plan: We have a detailed incident response plan to address any data breaches or security incidents.

We continuously monitor our systems to ensure they function correctly and that everyone adheres to the established policies and procedures. As a result of this system, we did not experience any data privacy breaches during the reporting period.

Employees can report a suspected a data breach, by either:

1. Informing a local IDT or local Legal contact immediately. Local IDT or Local Legal must then report the alleged breach immediately by completing an online form on

the Cyber Security Data Breach Reporting Tool, or:

2. Emailing the Group Cyber Security, Team or
3. Raising an incident request on the IT Service desk portal.

### Tax

We have in place a comprehensive tax management strategy designed to prioritise compliance with all applicable laws and regulations within Kenya.

Further, BAT Kenya is exposed to unpredictable increases in tobacco and New Categories related taxes in Kenya.

### Comparative breakdown of payments to the Government (2023-2024)

Tax	KShs in Mn	
	2024	2023
Excise	11,324	11,754
VAT	4,042	3,884
Corporate Tax	2,001	2,454
PAYE	611	549
Solatium	269	246
Customs	310	341
Tax stamps	139	169
<b>Total taxes</b>	<b>18,697</b>	<b>19,397</b>

Table 25: Comparative breakdown of payments to the Government (2023-2024)



## Sustainability Report



### Sustainability governance



GOAL

- Effective management of sustainability governance



### Our approach and performance highlights

The global focus on sustainability matters have increased significantly in recent years. Similarly, regulatory requirements and stakeholder expectations continue to evolve. Having appropriate governance is key to delivering on our sustainability commitments. The effective oversight and management of sustainability-related risks and opportunities are essential to the BAT Group's ability to deliver A Better Tomorrow™.

BAT Kenya is aligned to the Group's Sustainability Strategy and relevant governance processes and has localised those as applicable. In addition to Board and Management oversight and further strengthening our focus on Sustainability matters, we have in place a Sustainability Management Committee which helps to further embed sustainability as a strategic priority for BAT Kenya.

#### Board and Management oversight.

The Board is collectively responsible for the long-term success of the Company and the Company's strategic direction, purpose, values and governance. The Board has strategic oversight of our sustainability matters, with sustainability factors being considered when making strategic decisions.

The Management Leadership Team, chaired by the Managing Director, is responsible for overseeing the implementation of the Group's strategy and policies set by the Board. This includes those relating to sustainability. The Leadership Team is supported by the Extended Leadership Team (senior and middle managers directly reporting into the Leadership Team) and their respective teams, to deliver the Company's strategic and sustainability priorities.

### Governing our material impacts

#### The sustainability management committee

A Sustainability Management Committee has been set up at BAT Kenya for the operational management of our Sustainability Agenda. This committee has cross-Functional representation to ensure effective representation and skills

set which is key for the management and implementation of our sustainability agenda.

The Committee assists BAT Kenya's Board and Leadership Team in fulfilling its oversight responsibilities concerning developing and implementing the Company's sustainability strategy. The Committee reports into BAT Kenya's Leadership Team and the Board.

#### Responsibilities and objectives

- Drive alignment with the Group's Sustainability Strategy, coherence strategic planning and risk management and apprise the Board and Leadership Team on the strategy for executing sustainability initiatives.
- Monitor implementation of the Sustainability Strategy against agreed actions, targets and metrics and reporting of said progress and actions per the requirements of the BAT Group and external statutory Codes.
- Review and approve the BAT Kenya's non-financial materiality assessment, and actions relating to the identified risks and opportunities presented by each material issue.
- Promote high standards of corporate governance and facilitate monitoring and reporting of progress against set targets and the overall Sustainability strategy.
- Review and support the development of relevant sustainability-related policies and codes of conduct.
- Identify and monitor external developments that may significantly impact the Company's approach to sustainability.
- Review all stakeholder feedback on sustainability matters and engage as appropriate.
- Ensure adherence to all sustainability-related disclosures and regulatory reporting requirements.
- Make recommendations to the relevant Leadership Team and the Board's Nominations and Governance committee



## Sustainability Report

on any of the matters that the Committee considers appropriate.

- The Committee shall endeavour to ensure that sufficient attention is given to driving the Company's Sustainability strategy and that the relevant policies and processes in place remain effective.
- The Committee shall, in consultation with executive management, consider the appointment of third parties to advise on sustainability policies and practices and / or audit the Company's sustainability policies.

### Committee members

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

### Driving efficiencies for sustainability through digital automation at BAT Kenya

We made progress in implementing technology to support our sustainability initiatives. Smart Water Management System, built on PowerApps and Power BI, revolutionised water consumption monitoring by eliminating paper-based processes and enabling real-time leak detection. Simultaneously, our Wood Fuel Traceability solution, utilising ERP and GPS technology, aims to ensure 100% sustainable sourcing. This digital transformation has improved operational efficiency.

We seek to work more efficiently across regions and have made progress in 2024 by standardising and scaling our digital solutions. The successful automation of 22 everyday core business processes spread out across BAT SSA operations is benefiting our operations in Kenya. Some of the innovations introduced include:

- i. Compliance Control Navigator automation – this is a controls tracking platform that provides a one-stop shop for compliance checks. The automation included addition of reminders and escalations and enhancing overall reporting capabilities with a goal to materialise 100% Sox and Overall Controls Compliance.
- ii. SOP Reporting – BAT Kenya introduced a comprehensive finance reporting automation that covers the SOP

reporting and digitisation of approved SODA noting, ensuring all appropriate governance measures are taken. This process saved 1,020 hours in 2024.

- iii. General automation: other initiatives included the Exception request Form Portal, performance tracking and automated reconciliation platforms, IMS tracking platforms, invoice data extraction amongst others.

This has given back 24,000 hours annually to our people - time they can now invest in driving business transformation. The foundation of our success lies in our commitment to digital capability building. Through comprehensive training programs in Power BI, Azure ML, and Robotic Process Automation across all our market, we've empowered our workforce to drive sustainability initiatives. Our employees now leverage these tools to minimise resource consumption, optimise operations, and make data-driven decisions.

Training has expanded beyond technical skills to include environmental awareness and sustainable practices, ensuring technology serves our broader sustainability goals. This approach has helped us drive sustainable technology innovation, demonstrating how digital transformation can support environmental conservation while maintaining operational excellence. For example, the Smart Water Management System, built on PowerApps and Power BI, revolutionised water consumption monitoring by eliminating paper-based processes and enabling real-time leak detection. Simultaneously, our Wood Fuel Traceability solution, utilising ERP and GPS technology, ensures 100% sustainable sourcing while preventing deforestation. These digital transformations have significantly reduced our environmental footprint while improving operational efficiency and received external recognition at the 2024 CIO Summit.

### Our approach to regulation

We recognise and support the objective of governments to reduce smoking rates and associated health impacts. We support regulation that is based on robust evidence, tailored to local circumstances, and delivers on the intended policy aims, while preventing unintended consequences such as the growth in illicit trade.

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

In 2024, we participated as part of industry, in a public participation exercise conducted by the Ministry of Health and the Tobacco Control Board on proposed Graphic Health Warnings for tobacco and nicotine products.

Further, BAT Kenya made submissions on the Tobacco Control (Amendment) Bill, 2024 tabled in the Senate of Kenya, following a call for consultation by the Senate Health Committee.

## Sustainability Report

Specifically on Smokeless products, we believe regulation should recognise that Smokeless tobacco and nicotine products are less risky\* than cigarettes and support their use as an alternative for those adult smokers who would otherwise continue smoking combustible products.

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

- based on science and evidence,
- ensure product quality and consumer relevance,
- allow adult-only access, and
- enable effective enforcement.

It is key to align all stakeholders on the positive public health potential of Smokeless products and encourage the development of effective policies and consumer behaviour that can accelerate Tobacco Harm Reduction.











# CORPORATE GOVERNANCE REPORT

## Corporate Governance Report

## Board of Directors



**RITA KAVASHE**  
CHAIRPERSON

**Nationality:** Kenyan

**Age:** 59

**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 Chair of the Board and 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:**

- Director BAT Kenya Tobacco Company Limited
- Chair of the Board and Managing Director, Isuzu East Africa Limited
- Independent Non-Executive Director - Bamburi Cement Plc (Amsons 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

**Age:** 54

**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:**

- Director BAT Kenya Tobacco Company Limited
- Director - British American Tobacco Area Limited
- Cluster Head of BAT East & Southern Africa markets, based in Nairobi



## Corporate Governance Report



**PHILEMON KIPKEMOI**  
FINANCE DIRECTOR

**Nationality:** Kenyan

**Age:** 44

**Position:**

Finance Director since May 2020.

**Skills and experience:**

Philemon 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:**

- Director BAT Kenya Tobacco Company Limited
- Director British American Tobacco Area Limited
- Director BAT Eritrea Share Company.
- Non-Executive Director of British America Tobacco Zambia plc
- Non-Executive Director of British American Tobacco Zimbabwe (Holdings) Limited
- Chair of the Board of Trustees, BAT Kenya Staff Provident Fund
- Head of Finance for BAT East and Southern Africa Markets Cluster, based in Nairobi.



**PHYLLIS WAKIAGA**  
NON-EXECUTIVE DIRECTOR

**Nationality:** Kenyan

**Age:** 43

**Position:**

Independent Non-Executive Director since October 2023 and a member of the Board Remuneration Committee.

**Skills and experience:**

Phyllis is an Advocate of the High Court of Kenya, with over 20 years of work experience in Corporate Leadership, Governance, Public Policy, Government Relations, Sustainability and Private Sector Development. She is a Senior Advisor at the Tony Blair Institute for Global Change. Prior to this, Phyllis was the CEO and Secretary to the Board at Kenya Association of Manufacturers (KAM). She holds a Masters degree in International Trade and Investment Law from the University of Nairobi and an Executive Master of Business Administration from Jomo Kenyatta University of Agriculture and Technology, where she is also a current Ph.D. student in Leadership and Governance.

**Key Appointments:**

- Non-Executive Director at the Institute of Economic Affairs
- Non-Executive Director at Kenya Roads Board
- Non-Executive Director at I&M Group plc
- Non-Executive Director at Jubilee Allianz
- Non-Executive Director at Mabati Rolling Mills (MRM)
- Non-Executive Director at the International Centre for Research on Women (Africa Board)
- Member, Board of Trustees of the United States International University.



## Corporate Governance Report



**DR. MACHARIA IRUNGU**  
NON-EXECUTIVE DIRECTOR

**Nationality:** Kenyan

**Age:** 58

**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



**MARION GATHOGA-MWANGI**  
NON-EXECUTIVE DIRECTOR

**Nationality:** Kenyan

**Age:** 53

**Position:**

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

**Skills and experience:**

Marion currently serves as the Group Chief Executive Officer (GCEO) at Standard Media Group Plc. Prior to this role, she was the Business Unit Director for Bulk and Onsites at African Oxygen Pty (AFROX), a Linde Company recognised for its global leadership in gases and engineering solutions. Additionally, she has held the position of part-time Academic Director for the Women in Leadership program at Strathmore Business School (SBS). Marion has also been the Healthcare Director at AFROX and the Managing Director of BOC Gases Plc as well as a Non-Executive Director at the same company. With over 20 years of experience in senior management, Marion has developed expertise in Stakeholder Management, Lean Manufacturing, Performance Management, and Trade Marketing, successfully managing business transitions in turnaround situations across various sectors, including Industrial, FMCG, Commodity, Dairy, and Professional Services. Throughout her career, she has held executive positions at esteemed organisations such as Nestlé Foods (K) Limited and Bayer East Africa Limited, as well as General Manager and Managing Director roles at Cadbury Kenya and East Africa (Kraft Foods), Unga Limited, Parmalat Botswana Pty (Groupe Lactalis), The Association of Certified Chartered Accountants (ACCA), and BOC Kenya plc.

**Key Appointments:**

- Director - The Standard Group plc
- Director - ABSA Bank Kenya plc
- Director - Kenya Nut
- Trustee - Palmhouse Foundation
- Member - Women Corporate Directors (WCD)
- Member - Women on Boards Network (WoBn).

## Corporate Governance Report



**SAMUEL ONYANGO**  
NON-EXECUTIVE DIRECTOR

**Nationality:** Kenyan

**Age:** 68

**Position:**

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

**Skills and experience:**

Samuel is a former CEO of Deloitte East Africa. He has extensive audit and advisory experience, having served for over 39 years in various audit and advisory roles. He has contributed to the development of the accounting profession in East, Central and Southern Africa through past roles; including as Chair of the Institute of Certified Public Accountants of Kenya and President of the then East, Central and Southern Africa Federation of Accountants (ECSAFA), which he also represented in the International Federation of Accountants (IFAC). Samuel holds a Bachelor of Commerce, Accounting Option (First Class Honors) from the University of Nairobi. He is a Fellow of the Institute of Certified Public Accountants of Kenya (FCPA), a Fellow of the Institute of Chartered Accountants in England & Wales (FCA), Institute of Company Secretaries (ICS) and a Member of the Institute of Certified Public Accountants of Uganda (ICPAU). He is also a trained Arbitrator and Mediator at the International Law Institute, George Town University, Washington DC. He is a Non-Executive Director at Equity Bank (Kenya) Limited and a Director at Jadala Investments Limited.

**Key Appointments:**

- Non-Executive Director - Equity Bank (Kenya) Limited
- Director - Jadala Investments Ltd



**PAUL MUTHAURA**  
NON-EXECUTIVE DIRECTOR

**Nationality:** Kenyan

**Age:** 46

**Position:**

Independent Non-Executive Director since October 2023. Member of the Board Nominations and Governance Committee and the Audit and Risk Committee.

**Skills and experience:**

Paul is currently the CEO of the Africa Carbon Markets Initiative. He has previously served as an Independent Consultant with EMRD Advisory Limited, CEO and Principal Officer at ICEA Lion General Insurance Company Ltd and CEO of the Capital Markets Authority (CMA) Kenya. He was awarded the National Honour of the Order of the Moran of the Burning Spear (MBS) in 2017, for services in the development and deepening of the capital markets in Kenya. Paul is an Advocate of the High Court of Kenya, an Honorary Fellow of the Institute of Certified Public Secretaries and an Executive Coach and Systemic Team Coach from the Academy of Executive Coaching (AoEC). He holds a Master of Philosophy in Business Administration from the Maastricht School of Management, Holland; a Masters in Banking and Finance Law from the London School of Economics and Political Science, England; a Bachelor of Laws from the University of Warwick and an Executive Diploma in Financial Management from KCA University, Kenya.

**Key Appointments:**

- Independent Member of the International Ethics Standards Board for Accountants (IESBA)
- Board Member of ICEA LION Group
- Independent Member of the Financial Sector Deepening Trust Kenya
- Member of the Securities Advisory Board of the Toronto Centre for Global Leadership in Financial Supervision

## Corporate Governance Report



**DR. MARTIN ODOUR-OTIENO**  
NON-EXECUTIVE DIRECTOR

**Nationality:** Kenyan

**Age:** 68

**Position:**

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

**Skills and experience:**

Dr. Oduor-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 in Kenya
- Non-Executive Director - Standard Bank Group in South Africa
- Chairperson - Kenya Breweries Limited.
- Chairperson - UDV (Kenya) Limited.
- Director – The Leadership Group Limited



**WAENI NGEA**  
COMPANY SECRETARY

**Nationality:** Kenyan

**Age:** 44

**Position:**

Company Secretary since October 2023.

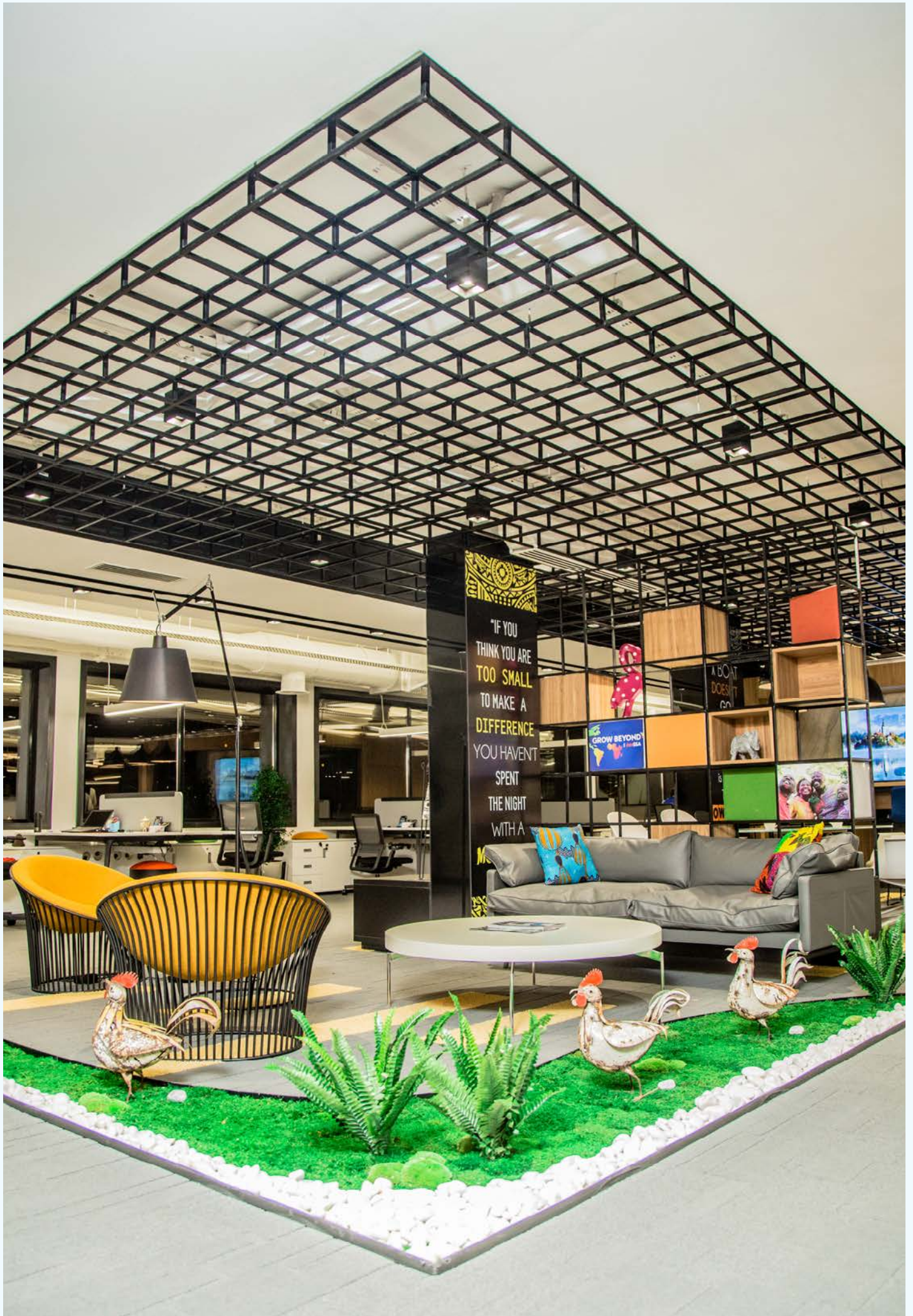
**Skills and experience:**

Waeni rejoined BAT in July 2023 as Head of Legal & Compliance, East & Southern Africa Markets, after three years at Bamburi Cement plc where she held the role of Head of Legal & Compliance and Company Secretary. Prior to that, she had worked with BAT for six years from 2014 as Head of Legal, East & Central Africa & Company Secretary, BAT Kenya. She also previously worked with Unilever Kenya Limited as Legal Counsel, supporting the East Africa region. She brings a wealth of experience in the management of legal risk and corporate governance and plays a crucial role in supporting the Board to deliver its mandate. She holds a Bachelor of Laws Degree from the University of Nairobi, a Diploma in Law from Kenya School of Law and is an accredited governance auditor.

**Key Appointments:**

- Trustee, BAT Kenya Staff Provident Fund
- Member of the Law Society of Kenya and the Institute of Certificate Secretaries of Kenya
- Council Member, Association of Retirement Benefit Schemes (ARBS)
- Non-Executive Director, Maisha Bora Ventures plc







## Corporate Governance Report

## Leadership Team



1.

**Waeni Ngea**  
 HEAD OF LEGAL & COMPLIANCE

Waeni rejoined BAT in July 2023 after three years at Bamburi Cement plc where she held the role of Head of Legal & Compliance and Company Secretary. Prior to that, she had worked with BAT for six years from 2014 as Head of Legal, East & Central Africa & Company Secretary, BAT Kenya. She also previously worked with Unilever Kenya Limited as Legal Counsel, supporting the East Africa region. Waeni is also the Head of Legal & Compliance for BAT East & Southern Africa, based in Nairobi.

2.

**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.

3.

**Rachel Muchiri**  
 HEAD OF COMMERCIAL

Rachel re-joined BAT in 2012 and is a seasoned marketing executive with immense experience across various marketing disciplines, including Strategic Planning & Insights, Brand Management and Trade, Marketing & Distribution. She has experience in the FMCG sector spanning different markets within Sub-Saharan Africa including Egypt, DRC, Mauritius and South Africa. Rachel has held various senior roles in marketing within BAT, including her immediate former role as Head of Modern Oral Nicotine for BAT Sub Saharan Africa. Rachel is also the Head of Commercial for BAT East & Southern Africa Markets, based in Nairobi.

## Corporate Governance Report

4.

**Philemon Kipkemoi**  
FINANCE DIRECTOR

Philemon 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 BAT Zambia and BAT Zimbabwe. He is also the Head of Finance for BAT East & Southern Africa, based in Nairobi.

6.

**Wendilene Yolanda Balie**  
HEAD OF TALENT, CULTURE & INCLUSION

Wendilene joined BAT in 2014, as Area HR Shared Services Manager for BAT South Africa, subsequently holding various roles within Human Resources the Business. In October 2023, Wendilene was appointed Cluster Head of Talent, Culture, and Inclusion for BAT Kenya. She holds a Bachelor of Science degree in Business, with a focus in accounting and specialisation in Tax from California State University - East Bay. She is also a certified Global Remuneration Profession (GRP) with the South African Reward Association. Wendilene continues to be instrumental in delivering business transformation and ensuring BAT remains fit for purpose. Prior to joining BAT, she worked as a Tax Consultant with Deloitte as well as Ernst and Young. Wendilene is also the Head of Talent, Culture and Inclusion for BAT East & Southern Africa Markets, based in Nairobi.

8.

**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.

5.

**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.

7.

**Judith Nagery**  
HEAD OF MANUFACTURING

Judith is a seasoned international supply chain leader with 15+ years of success in overseeing the entire life cycle of logistics and supply chain in the health, consumer goods and tobacco industries. She first joined BAT in 2006, serving in various pivotal roles until 2022. In 2023, she rejoined the business as a Senior Projects Manager for BAT East & Southern Africa Markets (ESA). She recently completed a short-term International Assignment at BAT Bangladesh where she honed her Manufacturing leadership skills & capabilities. Notably, she obtained a qualification on critical pillars of the Integrated Work System (IWS), further enhancing her proficiency. This assignment not only bolstered her manufacturing prowess but also fortified her commercial acumen and business insights. Judith returned to Kenya in 2023 to her current role as Head of Manufacturing.

9.

**Tashanya Okola**  
HEAD OF CORPORATE AND REGULATORY AFFAIRS

Tashanya joined BAT in March 2017 as the Anti-illicit Trade Manager (AIT) for the then BAT East and Central Africa cluster. She has subsequently held various roles within the External Affairs Function 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. She is also the Head of Corporate and Regulatory Affairs for BAT East & Southern Africa, based in Nairobi.



## Corporate Governance Report

## Corporate Governance Statement

## 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.

## 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 of Directors (the Board) of the Company believes that good governance, achieved through an ethical culture, competitive performance, and effective control, can create sustainable value and enhance long-term equity performance for the Company's stakeholders. Therefore, the Board is committed to ensuring that the Company complies with the laws, regulations and standards applicable to it. It ensures that high standards and practices in Corporate Governance and more specifically, the principles, practices and recommendations set out under the Capital Markets Authority Code of Corporate Governance Practices for Issuers of Securities to the Public, 2015 (the CMA Code), the Capital Markets (Public Offers Listings and Disclosures) Regulations 2023 (POLD 2023) as well as the Companies Act, 2015 (the Act) are adhered to.

The Board is responsible for putting in place governance structures and systems that support the practice of good governance. This 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 reflect the developments in regulation, best market practice and stakeholder expectations. It applies good governance practices to promote strategic decision making to balance short, medium and long-term outcomes to reconcile interests of its stakeholders and create sustainable shared value on the journey to building A Better Tomorrow™. To that end, sound governance practices, based on accountability, transparency, ethical management and fairness, are entrenched across the organisation.

Throughout the year ended 31 December 2024 and to the date of this document, the Company endeavoured to comply with various applicable laws and regulations. In that regard, this corporate governance report is prepared to provide shareholders and other stakeholders with important information to evaluate the Company's corporate governance structures and its performance on application of the principles, recommendations and requirements in the Act, POLD 2023 and the CMA Code.

In addition to complying with the above, the Company has embedded internal rules of engagement to support corporate governance which are constituted in BATs Standards of Business Conduct to which every employee, contractor and director must adhere. BAT suppliers are also required to comply with a similar set of standards, the Supplier Code of Conduct. The Board 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 and 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 governance, internal checks and controls.

## Corporate Governance Report

### The key responsibilities of the Board include:

- Approving the Company's business strategy and ensuring that necessary financial and human resources are in place to meet agreed objectives;
- Establishing and agreeing an appropriate governance framework;
- Approving the Company's risk appetite statement;
- 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 which is done in the 4<sup>th</sup> Quarter of each year;
- Reviewing periodic financial and governance reports;
- Approving the Annual Report, Company results and various public announcements;
- Declaring an interim or recommending a final dividend;
- Approving Company policies and monitoring compliance with the Standards of Business Conduct and attendant policies;
- Approving major corporate activities;
- Ensuring that the relevant audits e.g., financial, board evaluation, governance and legal and compliance audits are conducted and any remediation actions closed;
- Reviewing and approving the Company's property acquisition or disposal strategy;
- Approving the Company's Sustainability Report; and
- Approving the Board Charter and Board Committees Terms of Reference.

The Board operates through three Board committees, which are mandated to review specific areas and assist the Board undertake its duties effectively and efficiently. These Committees are: the *Nominations & Governance Committee*, the *Audit & 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 regularly 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 & Risk Committee, Nominations & Governance Committee and Remuneration Committee after each Committee meeting. The Board receives high quality, up-to-date information for review ahead of each meeting.

### Division of responsibilities – The Board Chair and the Managing Director

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

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

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

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

### 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 subsidiary. 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 page 88 & 89 of this Annual Report.

### The key responsibilities of the Leadership Team include:

- Developing the Company's business strategy for approval by the Board;
- Driving Company operating performance;
- Developing guidelines and standard operating procedures 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 to ensure that they are adequate to achieve the targets;

## Corporate Governance Report

- Overseeing the management and development of talent within the Company; and
- Making recommendations on matters reserved for Board approval.

### Composition of the Board

The Articles of Association of the Company provide that the Board shall comprise of a maximum of twelve (12) Directors. At present, the Board is comprised of ten (10) directors, seven (7) being Non-Executive Directors including the Chair, and three (3) Executive Directors. All seven (7) Non-Executive Directors are independent.

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

- The Board must be composed 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 Chair of the Board must be an independent Non-Executive Directors.

### Non-Executive Directors

As at 31 December 2024 and the date of this Annual Report, the Board had seven (7) Non-Executive Directors. The role of the Non-Executive Directors includes: to support in developing strategy, reviewing Management's proposals, scrutinising performance of Management and the Company, bringing an external perspective to the Board, monitoring reporting of performance and being available to meet with key stakeholders as appropriate.

### Independent Directors and Independence

As at the date of this Annual Report, all the Non-Executive Directors are independent as defined in the POLD 2023 and CMA Code and accordingly most of the Board is constituted of independent Directors.

### Annual Board Work Plan

The Board has in place an annual work plan that sets out its planned activities for the year. The Work Plan is designed to enable the Board drive strategy forward across all the elements of the Company's business model. The key activities of the Board in 2024, grouped under the Company's four strategic pillars, are set out on page 95.

During the year, the Board held four (4) scheduled Board meetings and two (2) ad hoc meetings. The Company held its Annual General Meeting on 26 June 2024 and a strategic planning session with the Board on 27 September 2024.

Attendance by the Directors to the Board and AGM meetings in 2024 is outlined below:

Director	Attended/Eligible to attend	
	Scheduled	Ad hoc
Rita Kavashe	4/5	2/2
Crispin Achola	5/5	2/2
Philemon Kipkemoi	5/5	2/2
Dr. Martin Oduor-Otieno	5/5	2/2
Peter Mwangi*	4/5	1/2
Samuel Onyango	5/5	2/2
Dr. Macharia Irungu	3/5	1/2
Marion Gathoga-Mwangi	4/5	2/2
Andre Joubert**	2/5	2/2
Paul Muthaura	4/5	2/2
Phyllis Wakiaga	5/5	1/2

Table 26: Board Director Attendance - 2024 Board and AGM Meetings

#### Notes:

\* Peter Mwangi retired from the Board effective 27 June 2024.

\*\* Andre Joubert and his Alternate Director Sidney Wafula resigned from the Board effective 31 March 2025.

### 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 Company's Board Appointment Policy. The Policy provides that the Nomination & Governance Committee is responsible for the selection and recommendation to the Board for appointment of directors of the Company. Prior to any appointment, the Nominations & Governance Committee defines the functions and core competencies for each vacant director 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 candidates 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 Non-Executive Director appointed by the Board to fill a casual vacancy must seek election at the immediate next Annual General Meeting. As further provided for in the Company's 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. All Non-Executive Directors offer themselves for re-election at regular intervals, subject to continued satisfactory performance, no untenable conflicts of interest and sustained commitment. Executive Director appointments are managed in line with their contracts of employment with the Company and therefore excluded from retirement by rotation.



## Corporate Governance Report

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

During the AGM of 26 June 2024, Peter Mwangi retired in accordance with Article 102 of the Articles of Association and did not offer himself for reappointment. Samuel Onyango and Andre Joubert retired in accordance with Article 102 of the Articles of Association and offered themselves for reappointment and were each re-elected by the shareholders to continue serving as Directors. Paul Muthaura and Phyllis Wakiaga retired in accordance with Article 101 of the Articles of Association and were each re-elected by the shareholders to continue serving as Directors. The Nominations & Governance Committee confirmed that the performance of these Directors continued to be effective and that they had demonstrated commitment to their roles including commitment of the necessary time for Board and Committee meetings and other duties.

At the Company's AGM scheduled to be held on 25 June 2025, the Company will submit the following eligible Directors for re-election: Rita Kavashe, Dr. Macharia Irungu and Marion Gathoga-Mwangi in line with Article 102 of the Articles of Association.

The Board had two Director resignations effective 31 March 2025 i.e. Andre Joubert and Sidney Wafula as his alternate.

The Board Appointment Policy can be read on the Company's website ([www.batkenya.com](http://www.batkenya.com)).

## Board Skills, Experience and Diversity

### Board Appointment

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 of 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 its diversity in representation of gender, age, skills, knowledge and experience against what is needed to deliver the Company's strategy. The Nominations & Governance Committee has taken this into consideration in its nominations of persons for appointment as directors as was evidenced in the last director appointments in October 2023.

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 their nationalities, are set out on (pages 82 to 86).

The Board's Diversity Policy can be read on the Company's website ([www.batkenya.com](http://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 key areas of the Company's business from the Executive Directors, members of the Company's Leadership Team, the Company Secretary, and other Senior Executives. The induction includes a factory tour, a market visit and a visit to the leaf centres where possible.

During the year under review, an induction programme was rolled out for Phyllis Wakiaga and Paul Muthaura following them joining the Board in October 2023.

### 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 market and Company's business on the ground.

The Board and its Committees receive regular briefings on legal and regulatory developments with focus on regulations directly impacting the operations of the Company as well as proposed/ongoing key litigation.

During the financial year under review, the Directors engaged in e-learning or facilitator led training on areas of sustainability, regulation and emerging areas the Tobacco Industry. Some of the topics discussed included: fiscal affairs and anti-illicit trade, competition law and emerging trends and Tobacco Harm Reduction. The Board also held its strategy session on 27 September 2024 and discussed the following regarding the Company strategic navigator: growth and sustainability of the business, illicit trade, navigating the

## Corporate Governance Report

business environment through winning organisational culture and digital transformation; and product regulation.

In 2024, each Director was able to secure at least twelve (12) hours of training on areas of corporate governance, leadership, risk management, fiscal affairs and anti-illicit trade, Tobacco Harm Reduction, and sustainability trends from the Company and other credible sources as prescribed by the CMA Code.

### Board Evaluation

In line with provisions of the CMA Code, the Board engaged Professor Kiarie Mwaura & Company Advocates to undertake an independent evaluation of the performance of the Board, its Committees, the Chair, the Managing Director, 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 Chair. 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 Board Chair 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.

### Governance Audit

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 engaged Azali LLP to undertake a governance audit for the year 2024. The auditor issued an opinion confirming that the Board has put in place effective, appropriate, and adequate governance structures in the organization which are in compliance with the legal and regulatory framework and in line with good governance practices for the interest of stakeholders. The Board and various Committees are implementing recommendations from the 2024 Governance audit.

### Legal and Compliance Audit

In compliance with the CMA Code, an entity is required to annually undertake a legal and compliance audit with the objective of ascertaining the level of adherence to applicable laws, regulations and standards. The Company undertook

an internal legal and compliance audit whose outputs and recommendations were adopted by the Audit & Risk Committee for implementation.

### Corporate Governance Assessment Report

During the year, the Capital Markets Authority assessed the status of implementation of the CMA Code by the Company for the year ended 31 December 2023. The assessment was based on a review of the following areas: commitment to good corporate governance, board operations and control, accountability, risk management, and internal control, transparency and disclosure.

The overall rating awarded to the Company was a leadership rating of 92.3%, a testament to the Board's commitment to sound corporate governance practices.

### 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 Board Chair and the Company Secretary of any actual or potential conflicts 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. 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 conflicts 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 2024.

### 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 fulfil 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 fulfil its duties.

## Corporate Governance Report

## Strategic Board activities in 2024

## Corporate Governance Assessment Report

In 2024, the Board provided oversight of various Company strategic priorities including:

- Managing the challenges presented by the government's fiscal framework and excise policy;
- Managing regulatory challenges and attendant risks with respect to New Category Products;
- Advocating for increased enforcement action to combat illicit trade in tobacco products; and,
- Advocating for sound sustainability efforts in its operations.

## GROWTH

Growth remains the Board's key strategic priority

## Activities in 2024

- 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 brands;
- Continuing the Company's transformational journey to create A Better Tomorrow by building A Smokeless World;
- 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 & Risk Committee; and
- Discussing and improving the Board's understanding of key risks facing the Company.

## PRODUCTIVITY

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

## Activities in 2024

- Monitoring operational key performance indicators;
- Continued roll-out of the Integrated Work System (IWS) to drive operational excellence and quality;
- Review of revenue opportunities in the domestic and exports markets;

- Continued oversight of Environment Health and Safety at both Nairobi and Thika factories;
- Identifying and leveraging savings and productivity opportunities; and,
- Approving the reviewed Board Charter and the Board Committee Terms of Reference on 25 July 2024

## 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 2024

- 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 key litigation;
- Reviewing the Company's strategy, initiatives and performance on the Environmental, Social and Governance (ESG) pillars;
- Partnering with public and private stakeholders to drive sustainability initiatives;
- Employee participation in local community development; and
- Monitoring compliance with the Company's Standards of Business Conduct, internal controls and governance.

## PURPOSEFUL ORGANISATION

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 2024

- Reviewing succession planning at Board Level 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 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 the BAT Group's "A Better Tomorrow™" purpose.



## Corporate Governance Report

## Board Committees

The Board has delegated authority to various Board committees to undertake its mandate effectively and efficiently. In deciding committee memberships, the Board Chair endeavors to make the best use of the range of skills across the Board and share responsibility. The Board receives a report from the Chair 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 set out the roles and responsibilities and the procedural rules applicable to the committee.

A summary of the role of the current committees, current members and key activities undertaken during the year 2024 are set out below:

## Nominations &amp; Governance Committee

## Current Members

Rita Kavashe	(Chair)
Dr. Macharia Irungu	
Andre Joubert	
Paul Muthaura	
Waei Ngea	(Committee Secretary)

## Permanent invitees:

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

## Attendance at the Committee meetings in 2024:

Name	Attended/Eligible to attend	
	Scheduled	Ad hoc
Rita Kavashe	2/2	0/0
Dr. Macharia Irungu	2/2	0/0
Andre Joubert /Sidney Wafula	2/2	0/0
Peter Mwangi*	0/1	0/0
Paul Muthaura	2/2	0/0

Table 27: Attendance of the Nominations and Governance Committee meetings (2024)

## Notes:

\* Peter Mwangi retired from the Committee on 27 June 2024 following his retirement from the Board.

## 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, board diversity and the succession plan for senior management. In so doing, the Committee reviews the structure, size and composition of the Board and its committees, succession plan for the

Managing Director, to ensure they have an appropriate balance of skills, expertise, knowledge and independence.

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

The Committee is also charged with the responsibility of evaluating and reporting to the Board on an annual basis, the effectiveness and performance of the Board, its committees, and the directors in the discharge of their responsibilities. The evaluation is guided by the report of an independent evaluator into the running of the affairs of the Board.

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

## Key Nominations &amp; Governance Committee activities in 2024

The following aspects were considered, and actions undertaken by the Committee:

- Succession planning for the Board and the Leadership Team including appointment of emergency alternates for the following key Board roles: Board Chair, Board Committee Chairs and Company Secretary.
- Appointment of the Governance Auditor to undertake the governance audit during the year.
- The environment social and governance mandate of the Committee as approved by the Board.
- The 2023 Sustainability Report and recommending it to the Board for approval.
- The 2024 Board training calendar as part of continuous board development.
- Directors' annual appointment and re-election at the 2024 AGM, including renewal of the appointment of various Directors.
- The Board's key performance indicators and indicative areas of support to Management.
- The effectiveness of the Company's governance structure following an independent governance audit and following up on completion of open audit actions by Management and the Board Committees.

## Corporate Governance Report

- Overseeing the closure of open actions from the 2023 internal legal and compliance audit and previous governance audit.
- 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.
- Review of the composition of Board committees.
- Review of the Corporate Governance Report in the 2023 Annual Report.
- Review of the legislative changes brought on by the Capital Markets (Public Offers, Listings and Disclosures) Regulations, 2023.
- Review of various Company policy documents including the Board Appointment Policy and Board Diversity Policy.
- Oversight of CMA Corporate Governance Compliance Reporting requirements.
- Review of the Board Charter and Committee's terms of reference in July 2024.

### Remuneration Committee

#### Current Members

Marion Gathoga-Mwangi	(Chair)
Phyllis Wakiaga	
Samuel Onyango	
Crispin Achola	
Philemon Kipkemoi	
Wendilene Balie	(Committee Secretary)

#### Permanent invitees:

Waeni Ngea	(Company Secretary)
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#### Attendance at the Committee meetings in 2024:

Name	Attended/Eligible to attend	
	Scheduled	Ad hoc
Peter Mwangi*	2/2	0/0
Marion Gathoga-Mwangi**	2/2	0/0
Phyllis Wakiaga	1/2	0/0
Samuel Onyango***	1/2	0/0
Crispin Achola	2/2	0/0
Philemon Kipkemoi	2/2	0/0

Table 28: Attendance of Remuneration Committee Meetings (2024)

#### Notes:

- \* Peter Mwangi retired from the Committee on 27 June 2024 following his retirement from the Board.
- \*\* Marion Gathoga-Mwangi was appointed as the Committee Chair on 25 July 2024 to succeed Peter Mwangi who retired as Committee Chair after his retirement from the Board as above.
- \*\*\* Samuel Onyango was appointed to the Committee on 25 July 2024.

### 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, align 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 Board Chair, the Executive Directors and the Non-Executive Directors, both on appointment and on review;
- Reviewing and recommending to the Board targets applicable to the Company's performance-based variable reward schemes and determining achievement against those targets, exercising discretion where appropriate and as provided by the applicable scheme rules and policy;
- Reviewing and oversight of the people culture against set metrics;
- Reviewing and setting targets for the organisational design of the Company; and
- Monitoring and advising the Board on any major changes to the policy on employee benefit structures for the Company.

#### Key Remuneration Committee activities in 2024

- Approval of the 2024 Committee workplan;
- Review of the HR strategy, culture and people plans;
- Reviewing the Organisational Design of the Company to ensure that it is fit for purpose;
- Pay strategy and salary reviews;
- Receiving talent insights on joiners, movers and leavers and actions taken to attract and retain talent;
- Review of the Company's diversity, equity and inclusion plans;
- Receiving updates on the progress of the negotiations on the Collective Bargaining Agreement with the Union;
- Closure of actions arising from the 2024 governance audit and
- A review of the Terms of Reference of the Committee in July 2024.

## Corporate Governance Report

### Audit & Risk Committee

#### Current Members

Dr. Martin Oduor-Otieno	(Chair)
Samuel Onyango	
Marion Gathoga-Mwangi	
Paul Muthaura	
Waeni Ngea	(Committee Secretary)

#### Permanent invitees:

Crispin Achola	(Managing Director)
Philemon Kipkemoi	(Finance Director)
Radu Eleanor-Samoila	(Internal Auditor)
Evans Madioli*	(Compliance Manager)
Catherine Chepkong'a*	(Finance Controller)

#### Attendance at the Committee meetings in 2024:

Name	Attended/Eligible to attend	
	Scheduled	Ad hoc
Dr. Martin Oduor-Otieno	3/3	0/0
Samuel Onyango	3/3	0/0
Marion Gathoga-Mwangi	2/3	0/0
Paul Muthaura	3/3	0/0

Table 29: Attendance of Audit and Risk Committee Meetings (2024)

#### Notes:

\* Catherine Chepkong'a, Finance Controller and Evans Madioli, Compliance Manager were appointed as permanent invitees to the Audit & Risk Committee effective 25 July 2024.

#### Mandate and role of the Audit & Risk Committee

The Audit & Risk Committee is the primary avenue through which the Board ensures 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 & Risk Committee monitors and reviews 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 & 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 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. Non-Executive Directors also have an in-camera session with the external Auditors (Management absent) for feedback on the audit process and key audit matters.

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

Pursuant to the Capital Markets (Public Offers Listings and Disclosures) Regulations 2023, the Compliance Officer also attends meetings as a permanent invitee.

In line with the Code of Corporate Governance for Issuers of Securities to the Public 2015, the Audit & Risk Committee is comprised of at least three (3) independent and non-executive directors who are approved by shareholders at the Annual General Meeting. It is chaired by an independent Non-Executive Director and has at least one (1) committee member who holds professional qualification in audit or accounting and is in good standing with a relevant professional body.

#### Key Audit and Risk Committee activities in 2024

The following items were considered by the Committee:

- The Company's 2023 full year and 2024 Half Year financial results including the application of accounting standards and the results announcements;
- The proposed final dividend for Full Year 2023 and interim dividend for year 2024;
- The full year results forecast and outlook at different points in the year;
- The external auditor's report and 2024 external auditor's work plan including key audit matters;
- Updates from the Internal Audit Manager on both local and global process audits, the Management responses and remediation plans put in place;
- Updates on the Company's risk register, quarterly risk heat map, including deep dives into specific risk topics and mitigating factors;
- Updates on related party transactions;
- A view on the current unclaimed financial assets and amounts remitted to the Unclaimed Financial Assets Authority;
- Quarterly reports on security risks, frauds and any resultant losses;
- Updates on regulatory developments, corporate social investment matters, land matters and significant litigation;
- Report on Environment, Health and Safety key aspects and focus areas;
- Reports on compliance with the Company's Standards of Business Conduct, any whistleblowing received and investigations into potential breaches;
- Training of members on emerging technologies, controls at BAT and relevant requirements from a BAT Group perspective;



## Corporate Governance Report

- Review of the performance and effectiveness of the Internal Audit Function;
- Annual review of the external auditor's effectiveness and independence;
- The 2024 internal legal and compliance audit report and progress on closure of actions arising therefrom;
- Progress on closure of actions arising from the 2024 governance audit;
- Reviewing and assessing compliance with the CMA Corporate Governance Practices for Issuers of Securities to the Public, 2015; and
- Approval of the Committee's Work Plan in February 2024.

### 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 & Risk Committee is assigned to review financial, audit and internal control issues in supporting the Board 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 & Risk Committee, the Board annually carries out a review of the effectiveness of its risk management and internal control framework and systems, 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 the impact 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 & Risk Committee meeting.

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

The Board, with the advice from the Audit & Risk Committee, has completed its annual review of the effectiveness of the risk management framework and internal controls for the period since 1 January 2024. 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 & Risk Committee considers that its relationship with the external auditor worked well during the period and was satisfied with their effectiveness and performance. The external auditor is required to rotate the audit partner responsible for the Company's audit at least every five years to maintain independence and bring a different set of eyes in the audit process.

### Standards of Business Conduct

The BAT Standards of Business Conduct (SoBC) express the high standards of integrity that BAT Kenya is committed to upholding. It is the foundation of the Company's Delivery with Integrity programme which deals with improving compliance, iterative risk management, overseeing reports of misconduct and empowering people to Deliver with Integrity. 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 which empower people to act responsibly and with integrity.

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 or misconduct on various matters. All whistleblowing incidents are tabled at the Audit & 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 in 2024 held a series of mandatory trainings for targeted staff on compliance. The training focused on respect of Gifts and Entertainment Policy, SoBC compliance, Anti-Financial Crime compliance, supplier management where employees were reminded of the Company's expectation about delivery with integrity and compliance with the SOBC.

The Standards of Business Conduct and Speak Up reporting hotline are available on [www.batkenya.com](http://www.batkenya.com) and [www.batsobc.com](http://www.batsobc.com).

## Corporate Governance Report

## 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](http://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, which sets out the requirements for BAT Kenya insiders, in dealing in shares of the Company.

Persons considered insiders are also prohibited from passing on inside information to others who may use the inside information to trade in the Company's securities. To ensure compliance with the Companies Act, 2015, on the above, the Company communicates 'open' and 'closed' periods for trading in its shares to its employees and the Directors twice annually. Directors, employees and certain suppliers (and their associates) must not trade in the Company's securities during closed periods.

To the best of the Company's knowledge, there was no insider dealing in the 2024 financial year.

## Whistleblowing (or Speak-up) Policy

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

The Whistleblowing Policy or Speak Up Policy provides the platform for employees to raise concerns in respect of any suspected wrongdoing, and 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. It receives a quarterly report through the Audit & Risk Committee on any arising whistleblowing matters, investigations undertaken, findings and remediation actions to mitigate ethical risks, strengthen internal controls and ensure a sustained speak up culture within the organisation.

In 2024, The Board received a report on 11 SoBC related reports which were investigated and recommendations made on

process or control improvements. Employees were trained on the provisions of the SoBC starting September 2024 to maintain a Speak Up culture and ensure understanding of SoBC requirements.

## Dispute Resolution Policy

The Company 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

The Company invests heavily in information digital technology systems, to support the delivery of its innovation and transformation agenda. The Information Technology (IT) systems are covered under an IDT 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 and available digital business solutions. In delivering on its objectives, the Company leverages on IDT expertise within the BAT Group, taking learnings from economies of scale in purchase of IT equipment and services.

## Procurement Policy

The procurement policy 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 organisation with respect to service and cost associated with acquisition of goods and services, (except for tobacco), salaries and strategic machinery.

## Corporate Governance Report

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 relevant 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.

With the implementation of extended producer responsibility in the country through enactment of the Sustainable Waste Management Act 2022, the Company has an obligation to ensure that its packaging is responsibly disposed post-consumer use. To discharge this obligation, the Company became a member of Kenya Extended Producer Responsibility Organisation (KEPRO) through which it collaborates with other manufacturers, importers and stakeholders on activities geared towards post-consumer waste management.

### Corporate Social Investment (CSI) and Responsibility

The Company is aligned to the Group's 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 creating shared value to the communities in which we operate.

The above policies and statements can be accessed at [www.batkenya.com](http://www.batkenya.com).

### Engagement with Shareholders

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

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 being made available on the Company's website in a timely manner and financial results being provided on a half yearly basis in national media publications. All shareholders with updated email contacts receive direct communication from the Company through its Share Registrar on the said communication.

The Company's Annual General Meeting (AGM) is also an opportunity for shareholder engagement when the Board Chair and the Managing Director explain the Company's full year performance and receive questions from shareholders. The Chairs of the Audit & Risk, Nominations & 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 recognises the importance of shareholder participation in meetings. Shareholders are strongly encouraged to attend and participate in the AGM. 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 Board has always placed considerable importance on effective communication with its shareholders and ensures shareholder rights are protected. On 21 June 2024, the Company held a shareholder meet and greet session with minority shareholders at its head office on Likoni Road, Nairobi. The session provided an opportunity for shareholders to visit the cigarette factory and engage senior management on various performance and governance matters.

The Company will ordinarily hold investor/analysts briefings at least twice a year (on publication of full year and half year results) 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 analyst call held in February 2024, the AGM held on 26 June 2024 and the Investor Briefing held in July 2024, shareholders and stakeholders were keen to hear more on, among other things, the Company's performance, the latest developments in industry regulation, dividends payable and the Company's sustainability and sustainability initiatives.

All shareholders queries, application for registration of transfer of shares of the Company, immobilisation of shares and



## Corporate Governance Report

dividend queries as well as the collection of share certificates and dividend cheques are handled by the Company's appointed share registrar – Image Registrars Limited. The Company Secretary receives a regular report from the Share Registrar on any arising shareholder issues which are managed by Management and the Board as applicable.

The Share Registrar can be reached at their offices on the 5<sup>th</sup> Floor, Absa Towers (formerly, Barclays Plaza), Loita Street, P. O. Box 9287-00100, Nairobi or through their e-mail address [info@image.co.ke](mailto:info@image.co.ke) or [batshares@image.co.ke](mailto:batshares@image.co.ke) and also through their telephone numbers +254 709 170000 / 709 170030.









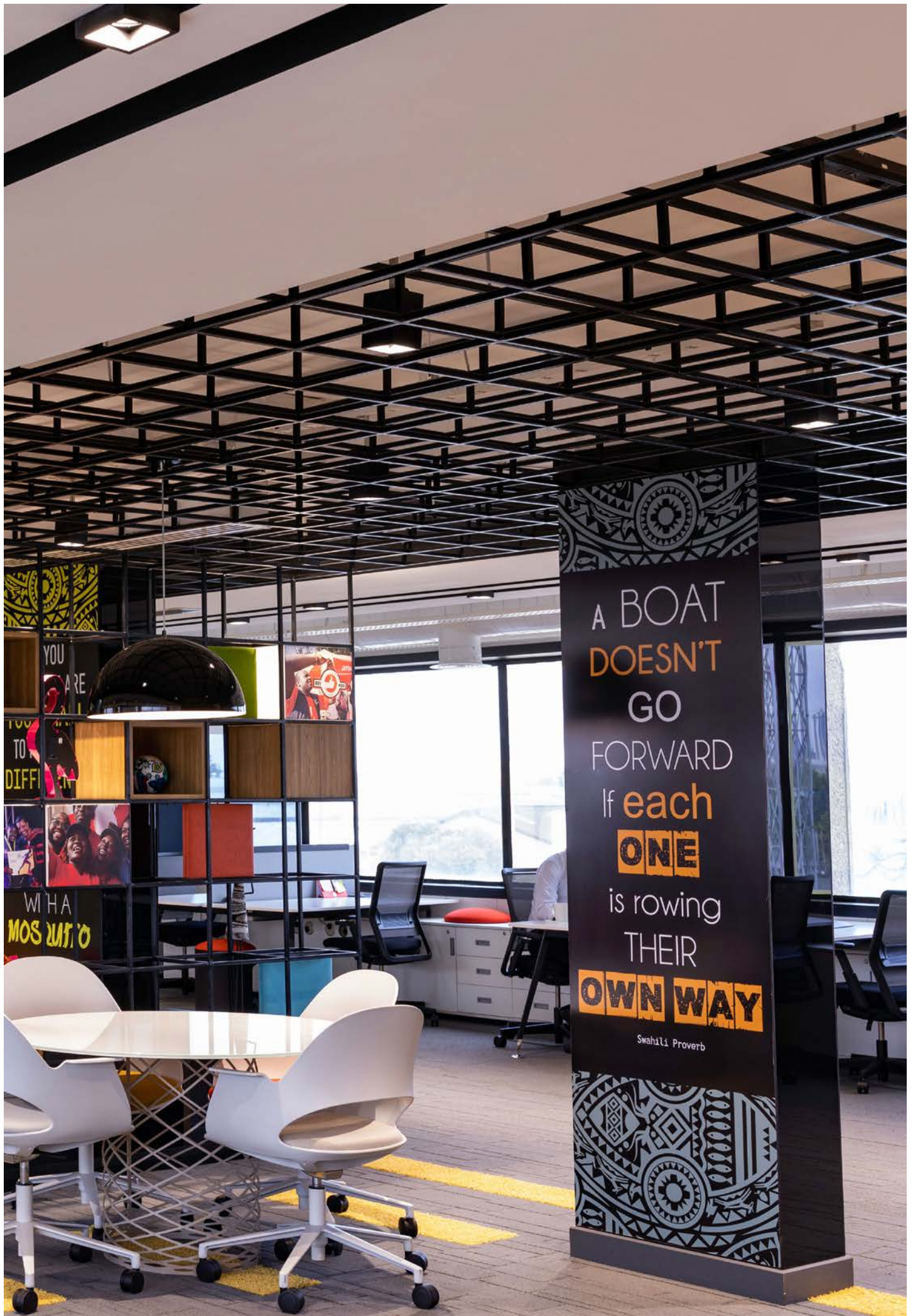






# REPORTS & FINANCIAL STATEMENTS





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

Swahili Proverb

## DIRECTORS' REPORT

The Directors submit their report together with the annual audited Financial Statements for the year ended 31 December 2024, 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 and tobacco free oral nicotine pouches.

### Results and dividend

The net profit for the year of KShs 4,483,370,000 (2023: KShs 5,568,017,000) has been added to retained earnings. During the year an interim dividend of KShs 500,000,000 (2023: KShs 500,000,000) was paid. The Directors recommend the approval of a final dividend of KShs 4,500,000,000 (2023: KShs 4,500,000,000).

### Directors

The Directors who held office during the year and to the date of this report are set out on page 82 to 86.

### Business overview

#### Financial performance

Net revenue increased by 1% to KShs 25.7 billion driven by strategic pricing benefit, partially offset by the impact of foreign exchange losses on our export sales.

Total cost of operations increased by 4% to KShs 18.4 billion reflecting the higher cost of doing business, partially offset by benefits from cost saving initiatives implemented during the period.

Finance costs rose sharply by 955% to a loss of KShs 0.8 billion in comparison to an income of 0.1 billion in 2023. This was driven by exchange losses following the appreciation of the Kenya shilling against the United States Dollar (c. 20%) in Q1 2024.

Profit before tax was 19% lower at KShs 6.5 billion driven by higher finance costs.

### Auditor

The auditor, KPMG Kenya, is eligible and hereby offer themselves for re-appointment in accordance with the requirements of Section 721 of 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 117 to 170 were approved and authorised at a meeting of the Directors held on 21 February 2025.

### By order of the Board



### Waeni Ngea (Ms.)

Company Secretary  
21 February 2025



## Report &amp; Financial Statements

## RIPOTI YA WAKURUGENZI

Wakurugenzi wanawasilisha ripoti yao pamoja na Taarifa za Kifedha zilizokaguliwa za mwaka ulioishia tarehe 31 Desemba 2024, ambazo zinaonyesha hali ya mambo ya Kikundi na Kampuni

### Shughuli kuu

Shughuli kuu za Kikundi ni utengenezaji na uuzaji wa tumbaku na mifuko ya nikotini ya kinywani isiyo na tumbaku.

### Matokeo na mgao wa faida

Faida halisi ya mwaka huu ya KShs 4,483,370,000 (2023: KShs 5,568,017,000) imeongezwa kwenye mapato yaliyohifadhiwa. Katika mwaka huu, mgao wa kati wa KShs 500,000,000 (2023: KShs 500,000,000) ulilipwa. Wakurugenzi wanapendekeza kuidhinishwa kwa mgao wa mwisho wa KShs 4,500,000,000 (2023: KShs 4,500,000,000).

### Wakurugenzi

Wakurugenzi waliokuwa ofisini katika mwaka huo hadi tarehe ya ripoti hii wametajwa kwenye ukurasa wa 82 hadi 86.

### Maelezo jumla kuhusu biashara

#### Utendaji wa kifedha

Mapato halisi yaliongezeka kwa 1% hadi KShs 25.7 bilioni, yakichangiwa na faida ya mikakati ya upangaji bei, ingawa sehemu ya ongezeko hilo ilifidiwa na athari za hasara za kubadilisha fedha za kigeni katika mauzo yetu ya nje.

Gharama jumla ya uendesaji biashara yailiongezeka kwa 4% hadi KShs 18.4 bilioni. Hii inaashiria kupanda kwa gharama ya kufanya biashara, huku sehemu ya ongezeko hilo likifidiwa na mafanikio ya mipango ya kupunguza gharama iliyotekelezwa katika kipindi hicho.

Gharama za kifedha ziliongezeka kwa kiasi cha juu cha 955% na kupelekea hasara ya KShs 0.8 bilioni, ikilinganishwa na mapato ya KShs 0.1 bilioni mwaka 2023. Hii ilisababishwa na hasara iliyotokana na mabadiliko ya shilingi ya Kenya dhidi ya dola ya Marekani (takriban 20%) katika robo ya kwanza ya mwaka 2024.

Faida kabla ya kodi ilipungua kwa 19% hadi KShs 6.5 bilioni, kutokana na kuongezeka kwa gharama za kifedha.

### Mkaguzi

Mkaguzi, KPMG Kenya, anastahiki na hivyo anaomba kuteuliwa tena kwa mujibu wa masharti ya Sehemu ya 721 ya Sheria ya Makampuni ya Kenya, 2015.

### Taarifa muhimu za ukaguzi

Wakurugenzi walio ofisini tarehe ya ripoti hii wanathibitisha kwamba:

- Hakuna taarifa muhimu za ukaguzi ambazo mkaguzi wa Kampuni hajui; na
- Kila mkurugenzi amefanya kila alichopaswa kufanya kama mkurugenzi ili kufahamu taarifa zote muhimu za ukaguzi na kuthibitisha kwamba mkaguzi wa Kampuni anafahamu taarifa hizo.

### Uidhinishaji wa Taarifa za Fedha

Taarifa za fedha zilizobainishwa katika ukurasa wa 117 hadi 170 ziliidhinishwa na kuthibitishwa katika mkutano wa Wakurugenzi uliofanyika tarehe 14 Februari 2024.

### Kwa amri ya Bodi



### Waeni Ngea (Ms.)

Katibu wa Kampuni  
21 Februari 2025

## Report &amp; Financial Statements

# DIRECTORS' REMUNERATION REPORT

*Information not subject to audit*

## Our Remuneration Policy 2024

The Remuneration Policy and Remuneration Report for the Executive Directors and the Non-Executive Directors applicable in 2024 were approved by shareholders at the 2023 Annual General Meeting held on 26 June 2024. 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 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 summarised 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
<b>Basic salary</b>	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.	<ul style="list-style-type: none"> <li>■ Paid in 12 equal monthly instalments during the year and is pensionable.</li> <li>■ Reviewed annually with salary changes effective from April depending on performance.</li> </ul>	Individual and business performance.
<b>Pension</b>	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.
<b>Other benefits</b>	Provide market competitive benefits which: <ul style="list-style-type: none"> <li>■ facilitate the attraction and retention of high calibre talent to deliver the Group's strategic plans; and</li> <li>■ recognise that such talent is global in source and that the availability of certain benefits are key enablers for attraction and retention.</li> </ul>	Range of benefits include: <ul style="list-style-type: none"> <li>■ Car allowance, driver and domestic allowance</li> <li>■ Medical insurance</li> <li>■ Personal life and accident insurance</li> <li>■ Security</li> <li>■ Education allowances</li> </ul> For international assignees additional benefits include: <ul style="list-style-type: none"> <li>■ Travel allowance</li> <li>■ Housing allowance</li> <li>■ Relocation expense</li> <li>■ Tax advice and</li> <li>■ Tax equalization payments</li> </ul>	None

## Report &amp; Financial Statements

# DIRECTORS' REMUNERATION REPORT (continued)

Information not subject to audit (continued)

## Executive Directors (continued)

Reward	Purpose and link to strategy	Mechanics of reward	Performance metrics
<b>Short term Incentives</b>	Incentivise the attainment of corporate targets aligned to the strategic objectives of the Group on an annual basis.	<ul style="list-style-type: none"> <li>Targets are set annually based on the Group and Company business plans.</li> <li>Payout is done annually in March after measurements and approval of results.</li> <li>75% of the bonus is paid in cash, 25% is awarded as shares in the Parent Company (BAT plc).</li> <li>Bonus ranges from 0-110% of annual Salary for Managing Director, 0-90% for Finance Director.</li> </ul>	<ul style="list-style-type: none"> <li>Volume share growth- 10% (2023: 10%).</li> <li>New Categories Revenue -15% (2023: 15%).</li> <li>New Categories Contribution Improvement 20% (2023: 20%).</li> <li>Adjusted Profit From Operations - 25% (2023: 25%).</li> <li>Adjusted Cash Generated from Operations - 30% (2023: 30%).</li> </ul>
<b>Long term Incentives</b>	Incentivise and promote the long-term sustainable success of the Group.	<ul style="list-style-type: none"> <li>Targets are set covering a three-year period for BAT Group UK results.</li> <li>The award vests on the third anniversary of the award,</li> <li>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.</li> </ul>	<ul style="list-style-type: none"> <li>Earnings per share (EPS),</li> <li>Total share-holder return (TSR),</li> <li>Net Turnover, and;</li> <li>Cash conversion..</li> </ul>

## Chairman 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
<b>Fees</b>	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.	<ul style="list-style-type: none"> <li>Fixed monthly retainer.</li> <li>Sitting allowance for every committee or board meeting.</li> <li>Reviewed every 2 years and adjusted as required.</li> </ul>	As per Annual Board Evaluation.
<b>Travel and related expenses</b>	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.	<ul style="list-style-type: none"> <li>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.</li> </ul>	None



## Report &amp; Financial Statements

# DIRECTORS' REMUNERATION REPORT (continued)

Information not subject to audit (continued)

## Other terms – Non-Executive Directors

<b>Shareholding requirements</b>	<ul style="list-style-type: none"> <li>In compliance with independence requirements in the recently published Capital Markets Public Offers Listings and Disclosures Regulations 2023 effective 15 December 2023, Non-Executive Directors are discouraged from owning shares to maintain their independence.</li> <li>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.</li> </ul>
<b>Terms of appointment</b>	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.
<b>Terms of termination</b>	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

<b>Duration of current contracts</b>	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 Kipkemai – Finance Director	28 May 2020	-
Crispin Achola – Managing Director	1 January 2021	-

<b>Notice period</b>	Executive Director	Notice period
	Philemon Kipkemai – Finance Director	3 months
	Crispin Achola – Managing Director	6 months

<b>Provision for Redundancy</b>	<p>The Executive Directors are eligible for packages as follows:</p> <ul style="list-style-type: none"> <li>1 Month salary in lieu of notice</li> <li>2 Months' salary</li> <li>4 Days' worth of salary for every month worked</li> </ul> <p>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.</p>
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## Information subject to audit

### Directors' remuneration and compensation as key management for the year ended 31 December 2024

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 2024 together with comparative figures for 2023:

	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	2024	2023	2024	2023	2024	2023	2024	2023	2024	2023	2024	2023
Crispin Achola	15,419	14,648	3,983	2,863	7,410	6,976	5,235	6,154	1,388	1,318	33,435	31,959
Philemon Kipkemai	11,187	10,140	1,982	1,986	4,201	3,789	2,473	2,996	1,007	913	20,850	19,824
<b>Total remuneration</b>	<b>26,606</b>	<b>24,788</b>	<b>5,965</b>	<b>4,849</b>	<b>11,611</b>	<b>10,765</b>	<b>7,708</b>	<b>9,150</b>	<b>2,395</b>	<b>2,231</b>	<b>54,285</b>	<b>51,783</b>

## Report &amp; Financial Statements

**DIRECTORS' REMUNERATION REPORT** (continued)*Information subject to audit (continued)***Directors' remuneration and compensation as key management for the year ended 31 December 2024** (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 2024 together with comparative figures for 2023:

Non-Executive Directors	Fixed retainer		Sitting allowance		Chairperson's honoraria		Total	
	KShs' 000		KShs' 000		KShs' 000		KShs' 000	
Name	2024	2023	2024	2023	2024	2023	2024	2023
Rita Kavashe	4,472	4,407	335	363	2,500	2,500	7,307	7,270
Marion Gathoga-Mwangi	2,779	2,738	369	329	-	-	3,148	3,067
Peter Mwangi*	1,367	2,738	201	430	-	-	1,568	3,168
Dr. Martin Oduor-Otieno	2,779	2,738	369	298	-	-	3,148	3,036
Dr. Macharia Irungu	2,779	2,738	268	331	-	-	3,047	3,069
Samuel Onyango	2,779	2,738	402	298	-	-	3,181	3,036
Carol Musyoka**	-	1,232	-	162	-	-	-	1,394
Paul Muthaura***	2,779	463	402	98	-	-	3,181	561
Phyllis Wakiaga***	2,779	463	268	64	-	-	3,047	527
<b>Total remuneration</b>	<b>22,513</b>	<b>20,255</b>	<b>2,614</b>	<b>2,373</b>	<b>2,500</b>	<b>2,500</b>	<b>27,627</b>	<b>25,128</b>

\* Resigned as a Director effective 27 June 2024.

\*\* Resigned as a Director effective 15 June 2023.

\*\*\* Appointed effective 23 October 2023

**Other required disclosures****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 2024 AGM, held on 26 June 2024, 99.9% of the votes cast with respect to the Directors' remuneration policy and report were in favour, 0.0003% were against and there were negligible abstentions.

**Director's shareholding**

Director's shareholding in British American Tobacco Kenya plc as at 31 December 2024 is as follows:

Director	2024 Number of shares	2023 Number of shares
Marion Gathoga-Mwangi*	-	671
Sidney Wafula	300	300

\*Ms. Gathoga-Mwangi disposed her shares in December 2024 to maintain independence per CMA listing regulations.

**By order of the Board**


**Waeni Ngea (Ms.)**

Company Secretary

21 February 2025

## Report &amp; Financial Statements

## 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 117 to 170 which comprise the consolidated and company statements of financial position as at 31 December 2024, 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 material accounting policies.

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® Accounting Standards as issued by the International Accounting Standards Board (IFRS Accounting 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.

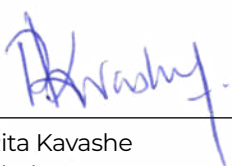
The Directors accept responsibility for the annual Financial Statements, which have been prepared using appropriate accounting policies supported by reasonable and prudent judgments and estimates, in conformity with IFRS Accounting Standards and in the manner required by the Kenyan Companies Act, 2015. 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 21 February 2025.



Rita Kavashe  
Chairperson



Crispin Achola  
Managing Director



Philemon Kipkemai  
Finance Director

21 February 2025



## Report &amp; Financial Statements

## INDEPENDENT AUDITOR'S REPORT

To the members of British American Tobacco Kenya plc

## REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS

*Opinion*

We have audited the Financial Statements of British American Tobacco Kenya plc (the Company) and its subsidiaries (together, the Group) set out on pages 117 to 170, which comprise the consolidated and company statements of financial position as at 31 December 2024, and the consolidated statement of profit or loss and other comprehensive income, consolidated and company statements of changes in equity and consolidated and company statements of cash flows for the year then ended, and notes to the Financial Statements, including material accounting policies.

In our opinion, the accompanying *Financial Statements* give a true and fair view of the consolidated and separate financial position of British American Tobacco Kenya plc as at 31 December 2024, and of its consolidated financial performance and its consolidated and separate cash flows for the year then ended in accordance with IFRS Accounting Standards as issued by the International Accounting Standards Board (IFRS Accounting 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 *Financial Statements* section of our report. We are independent of the Group and Company in accordance with the *International Ethics Standards Board for Accountants International Code of Ethics for Professional Accountants (including International Independence Standards) (IESBA Code)*, together with the ethical requirements that are relevant to our audit of the Financial Statements in Kenya, and we have fulfilled our other ethical responsibilities in accordance with these requirements and the IESBA Code.

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

*Key audit matters*

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

*Provisions and contingent liabilities in respect of litigations*

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

Our audit procedures in this area included 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/or disclosure implications.

We also obtained formal confirmations from the Group's and Company's external counsel for significant litigation matters to assess appropriateness and completeness of provisioning and/or 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 Note 2 (u) - Material accounting policies, Note 4 (i) - Critical accounting estimates and judgments, Note 30 - Provisions for liabilities and charges and 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 Financial Statements and our 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 2024*, which is expected to be made available to us after that date.

## Report &amp; Financial Statements

**INDEPENDENT AUDITOR'S REPORT** (continued)**REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS** (continued)*Other information (continued)*

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

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

*Directors' responsibilities for the Financial Statements*

The Directors are responsible for the preparation of Financial Statements that give a true and fair view in accordance with IFRS Accounting 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 misstatement, whether due to fraud or error.

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

*Auditor's responsibilities for the audit of the Financial Statements*

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

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

- Identify and assess the risks of material misstatement of the Financial Statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the group's and the company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Directors.
- Conclude on the appropriateness of the Directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the group's and the company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the Financial Statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the group and/or the company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the Financial Statements, including the disclosures, and whether the Financial Statements represent the underlying transactions and events in a manner that achieves fair presentation.

## Report &amp; Financial Statements

**INDEPENDENT AUDITOR'S REPORT** (continued)**REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS** (continued)*Auditor's responsibilities for the audit of the Financial Statements (continued)*

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

*Report on other legal and regulatory requirements*

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

- the information given in the Report of the Directors on page 107 is consistent with the Financial Statements; and,
- the auditable part of the Directors' Remuneration Report on pages 109 to 112 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

21 February 2025



## Report &amp; Financial Statements

# CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

		Year ended 31 December	
		2024	2023
	Notes	KShs' 000	KShs' 000
<b>Gross sales including indirect taxes</b>	<b>6</b>	<b>41,082,651</b>	<b>41,249,470</b>
Excise duty and Value Added Tax (VAT)		(15,366,748)	(15,691,919)
<b>Revenue</b>	<b>7</b>	<b>25,715,903</b>	<b>25,557,551</b>
Cost of sales	8	(15,218,693)	(14,984,177)
Marketing and distribution costs	9	(1,464,607)	(1,450,285)
Administration and other expenses	10	(1,992,779)	(1,412,052)
Other income		273,214	214,746
<b>Operating profit</b>		<b>7,313,038</b>	<b>7,925,783</b>
Finance (costs)/income	11	(829,091)	96,555
<b>Profit before tax</b>	<b>12</b>	<b>6,483,947</b>	<b>8,022,338</b>
Income tax expense	14	(2,000,577)	(2,454,321)
<b>Profit for the year</b>		<b>4,483,370</b>	<b>5,568,017</b>
<b>Other comprehensive income</b>			
<b>Items that may be reclassified to profit or loss</b>			
Net fair value gain		-	204
<b>Total comprehensive income for the year</b>		<b>4,483,370</b>	<b>5,568,221</b>
<b>Earnings per share:</b>			
Basic and diluted earnings per share (KShs)	15	44.83	55.68

The notes on pages 126 to 170 are an integral part of these Financial Statements.

## Report &amp; Financial Statements

## CONSOLIDATED STATEMENT OF FINANCIAL POSITION

		At 31 December	
		2024	2023
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
Revaluation surplus	18	2,661,131	2,761,700
Retained earnings		7,571,976	7,988,037
Proposed dividend	16	4,500,000	4,500,000
<b>Total equity</b>		<b>15,733,130</b>	<b>16,249,760</b>
<b>Non-current liabilities</b>			
Borrowings	27	74,902	8,813
Deferred income tax	19	1,820,839	1,991,624
<b>Total non-current liabilities</b>		<b>1,895,741</b>	<b>2,000,437</b>
<b>Total equity and non-current liabilities</b>		<b>17,628,871</b>	<b>18,250,197</b>
<b>Non-current assets</b>			
Property, plant and equipment	20(a)	9,811,984	11,541,830
Deferred income tax	19	248,785	264,875
		<b>10,060,769</b>	<b>11,806,705</b>
<b>Current assets</b>			
Inventories	22	3,324,090	5,641,329
Current income tax	28	931,351	563,339
Receivables and prepayments	23	3,550,453	3,951,603
Derivative financial instruments	24	-	3,136
Cash and cash equivalents	25	5,390,275	1,820,542
Assets held for sale	20(b)	397,288	263,294
		<b>13,593,457</b>	<b>12,243,243</b>
<b>Current liabilities</b>			
Payables and accrued expenses	26	5,476,455	5,360,637
Borrowings	27	22,765	13,942
Provisions for liabilities and charges	30	526,135	425,172
<b>Total current liabilities</b>		<b>6,025,355</b>	<b>5,799,751</b>
<b>Net current assets</b>		<b>7,568,102</b>	<b>6,443,492</b>
<b>Total assets less current liabilities</b>		<b>17,628,871</b>	<b>18,250,197</b>

The notes on pages 117 to 126 are an integral part of these Financial Statements. The Financial Statements on pages 117 to 170 were approved and authorised for issue by the Board of Directors on 21 February 2025 and signed on its behalf by:



Rita Kavashe  
Chairperson



Crispin Achola  
Managing Director



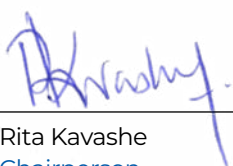
Philemon Kipkemai  
Finance Director

## Report &amp; Financial Statements

## COMPANY STATEMENT OF FINANCIAL POSITION

		At 31 December	
		2024	2023
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
Revaluation surplus	18	2,661,131	2,761,700
Retained earnings		7,571,976	7,988,037
Proposed dividend	16	4,500,000	4,500,000
<b>Total equity</b>		<b>15,733,130</b>	<b>16,249,760</b>
<b>Non-current liabilities</b>			
Borrowings	27	70,083	-
Deferred income tax	19	1,820,839	1,991,624
<b>Total non-current liabilities</b>		<b>1,890,922</b>	<b>1,991,624</b>
<b>Total equity and non-current liabilities</b>		<b>17,624,052</b>	<b>18,241,384</b>
<b>Non-current assets</b>			
Property, plant and equipment	20(a)	9,806,748	9,993,714
Investment in subsidiaries	21	12,000	12,000
		<b>9,818,748</b>	<b>10,005,714</b>
<b>Current assets</b>			
Inventories	22	3,322,747	5,536,875
Current income tax	28	835,888	529,979
Receivables and prepayments	23	3,379,358	4,890,424
Derivative financial instruments	24	-	3,136
Cash and cash equivalents	25	5,120,449	1,820,556
Assets held for sale	20(b)	171,945	263,294
		<b>12,830,387</b>	<b>13,044,264</b>
<b>Current liabilities</b>			
Payables and accrued expenses	26	4,520,105	4,371,357
Borrowings	27	21,390	12,065
Provisions for liabilities and charges	30	483,588	425,172
<b>Total current liabilities</b>		<b>5,025,083</b>	<b>4,808,594</b>
<b>Net current assets</b>		<b>7,805,304</b>	<b>8,235,670</b>
<b>Total assets less current liabilities</b>		<b>17,624,052</b>	<b>18,241,384</b>

The notes on pages 117 to 126 are an integral part of these Financial Statements. The Financial Statements on pages 117 to 170 were approved and authorised for issue by the Board of Directors on 21 February 2025 and signed on its behalf by:



Rita Kavashe  
Chairperson



Crispin Achola  
Managing Director



Philemon Kipkemoi  
Finance Director



## Report &amp; Financial Statements

## CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

		Share capital	Share premium	Revaluation surplus	Retained earnings	Proposed dividends	Total equity
Year ended 31 December 2024	Notes	KShs' 000	KShs' 000	KShs' 000	KShs' 000	KShs' 000	KShs' 000
Balance as at 1 January 2024		1,000,000	23	2,761,700	7,988,037	4,500,000	16,249,760
<b>Comprehensive income for the year</b>							
Profit for the year		-	-	-	4,483,370	-	4,483,370
Transfer of excess depreciation	14	-	-	(54,302)	54,302	-	-
Deferred income tax on transfer	14	-	-	16,291	(16,291)	-	-
		-	-	(38,011)	38,011	-	-
Property disposal revaluation gain		-	-	(89,370)	89,370	-	-
Deferred tax on property disposal through OCI		-	-	26,812	(26,812)	-	-
		-	-	(62,558)	62,558	-	-
<b>Transactions with owners</b>							
Distribution to owners (dividends):							
- Final for 2023 paid	16	-	-	-	-	(4,500,000)	(4,500,000)
- Interim for 2024 paid	16	-	-	-	(500,000)	-	(500,000)
- Proposed final for 2024	16	-	-	-	(4,500,000)	4,500,000	-
Total transactions with owners		-	-	-	(5,000,000)	-	(5,000,000)
<b>At end of year</b>		<b>1,000,000</b>	<b>23</b>	<b>2,661,131</b>	<b>7,571,976</b>	<b>4,500,000</b>	<b>15,733,130</b>

The notes on pages 126 to 170 are an integral part of these Financial Statements.

## Report &amp; 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 2023	Notes	KShs' 000	KShs' 000	KShs' 000	KShs' 000	KShs' 000	KShs' 000	KShs' 000
Balance as at 1 January 2023		1,000,000	23	204	2,799,711	7,382,009	5,200,000	16,381,947
<b>Comprehensive income for the year</b>								
Profit for the year		-	-	-	-	5,568,017	-	5,568,017
Transfer of excess depreciation	14	-	-	-	(54,302)	54,302	-	-
Deferred income tax on transfer	14	-	-	-	16,291	(16,291)	-	-
		-	-	-	(38,011)	38,011	-	-
Hedge fair value (loss) through OCI		-	-	(291)	-	-	-	(291)
Deferred tax in respect of fair value gain through OCI		-	-	87	-	-	-	87
		-	-	(204)	-	-	-	(204)
<b>Transactions with owners</b>								
Distribution to owners (dividends):								
- Final for 2022 paid	16	-	-	-	-	-	(5,200,000)	(5,200,000)
- Interim for 2023 paid	16	-	-	-	-	(500,000)	-	(500,000)
- Proposed final for 2023	16	-	-	-	-	(4,500,000)	4,500,000	-
Total transactions with owners		-	-	-	-	(5,000,000)	(700,000)	(5,700,000)
<b>At end of year</b>		<b>1,000,000</b>	<b>23</b>	<b>-</b>	<b>2,761,700</b>	<b>7,988,037</b>	<b>4,500,000</b>	<b>16,249,760</b>

The notes on pages 126 to 170 are an integral part of these Financial Statements.

## Report &amp; Financial Statements

## COMPANY STATEMENT OF CHANGES IN EQUITY

		Share capital	Share premium	Revaluation surplus	Retained earnings	Proposed dividends	Total equity
Year ended 31 December 2024	Notes	KShs' 000	KShs' 000	KShs' 000	KShs' 000	KShs' 000	KShs' 000
Balance as at 1 January 2024		1,000,000	23	2,761,700	7,988,037	4,500,000	16,249,760
Comprehensive income for the year							
Profit for the year		-	-		4,483,370	-	4,483,370
Transfer of excess depreciation	14	-	-	(54,302)	54,302	-	-
Deferred income tax on transfer	14	-	-	16,291	(16,291)	-	-
		-	-	(38,011)	38,011	-	-
Property disposal revaluation gain		-	-	(89,370)	89,370	-	-
Deferred tax in respect of fair value gain/(loss) through OCI		-	-	26,812	(26,812)	-	-
		-	-	(62,558)	62,558	-	-
Transactions with owners							
Distribution to owners (dividends):							
- Final for 2023 paid	16	-	-	-	-	(4,500,000)	(4,500,000)
- Interim for 2024 paid	16	-	-	-	(500,000)	-	(500,000)
- Proposed final for 2024	16	-	-	-	(4,500,000)	4,500,000	-
Total transactions with owners		-	-	-	(5,000,000)	-	(5,000,000)
At end of year		1,000,000	23	2,661,131	7,571,976	4,500,000	15,733,130

The notes on pages 126 to 170 are an integral part of these Financial Statements.



## Report &amp; 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 2023	Notes	KShs' 000	KShs' 000	KShs' 000	KShs' 000	KShs' 000	KShs' 000	KShs' 000
Balance as at 1 January 2023		1,000,000	23	204	2,799,711	7,382,009	5,200,000	16,381,947
<b>Comprehensive income for the year</b>								
Profit for the year		-	-	-	-	5,568,017	-	5,568,017
Transfer of excess depreciation	14	-	-	-	(54,302)	54,302	-	-
Deferred income tax on transfer	14	-	-	-	16,291	(16,291)	-	-
		-	-	-	(38,011)	38,011	-	-
Hedge fair value gain/(loss) through OCI		-	-	(291)	-	-	-	(291)
Deferred tax in respect of fair value gain/(loss) through OCI		-	-	87	-	-	-	87
		-	-	(204)	-	-	-	(204)
<b>Transactions with owners</b>								
Distribution to owners (dividends):								
- Final for 2022 paid	16	-	-	-	-	-	(5,200,000)	(5,200,000)
- Interim for 2023 paid	16	-	-	-	-	(500,000)	-	(500,000)
- Proposed final for 2023	16	-	-	-	-	(4,500,000)	4,500,000	-
Total transactions with owners		-	-	-	-	(5,000,000)	(700,000)	(5,700,000)
At end of year		1,000,000	23	-	2,761,700	7,988,037	4,500,000	16,249,760

The notes on pages 126 to 170 are an integral part of these Financial Statements.

## Report &amp; Financial Statements

## CONSOLIDATED STATEMENT OF CASH FLOWS

	Notes	Year ended 31 December	
		2024 KShs' 000	2023 KShs' 000
<b>Cash flows from operating activities</b>			
Cash generated from operations	31	10,427,051	8,482,276
Interest received	11	31,212	14,498
Interest paid		(57,026)	(250,776)
Income tax paid	28	(2,523,284)	(2,688,095)
<b>Net cash generated from operating activities</b>		<b>7,877,953</b>	<b>5,557,903</b>
<b>Cash flows from investing activities</b>			
Purchase of property, plant and equipment	20	(322,015)	(439,362)
Proceeds from disposal of property, plant and equipment		1,104,903	-
<b>Net cash generated from / (used in) investing activities</b>		<b>782,888</b>	<b>(439,362)</b>
<b>Cash flows from financing activities</b>			
Dividends paid to the company shareholders	16	(5,000,000)	(5,700,000)
Payment of principal portion of lease liabilities	27	(40,583)	(27,400)
<b>Net cash used in financing activities</b>		<b>(5,040,583)</b>	<b>(5,727,400)</b>
<b>Net movement in cash and cash equivalents</b>		<b>3,620,258</b>	<b>(608,859)</b>
Cash and cash equivalents at beginning of year		1,820,542	2,368,003
Effect of movement in exchange rates on cash held		(50,525)	61,398
<b>Cash and cash equivalents at end of year</b>	<b>25</b>	<b>5,390,275</b>	<b>1,820,542</b>

The notes on pages 126 to 170 are an integral part of these Financial Statements.

## Report &amp; Financial Statements

## COMPANY STATEMENT OF CASH FLOWS

	Notes	Year ended 31 December	
		2024 KShs' 000	2023 KShs' 000
<b>Cash flows from operating activities</b>			
Cash generated from operations	31	5,089,130	1,262,007
Interest received	11	31,212	14,498
Interest paid		(55,721)	(249,043)
Income tax paid	28	(571,233)	(491,878)
<b>Net cash generated from operating activities</b>		<b>4,493,388</b>	<b>535,584</b>
<b>Cash flows from investing activities</b>			
Purchase of property, plant and equipment	20	(591,246)	(391,890)
Proceeds from disposal of property, plant and equipment		105,327	-
Dividends received from subsidiary**		4,381,454	4,972,221
<b>Net cash generated from investing activities</b>		<b>3,895,535</b>	<b>4,580,331</b>
<b>Cash flows from financing activities</b>			
Dividends paid to the company shareholders	16	(5,000,000)	(5,700,000)
Payment of lease liabilities	27	(38,505)	(24,719)
<b>Net cash used in financing activities</b>		<b>(5,038,505)</b>	<b>(5,724,719)</b>
<b>Net movement in cash and cash equivalents</b>		<b>3,350,418</b>	<b>(608,804)</b>
Cash and cash equivalents at beginning of year		1,820,556	2,367,962
Effect of movement in exchange rates on cash held		(50,525)	61,398
<b>Cash and cash equivalents at end of year</b>	<b>25</b>	<b>5,120,449</b>	<b>1,820,556</b>

\*\* In 2024 the Company reclassified cash flows from dividends received from financing activities to investing activities of KShs 4,381,454,000 (2023: 4,972,221,000). This resulted in cashflows from investing activities of KShs 4,580,331,000 in 2023 (previously KShs (391,890,000)) and cash flows from financing activities of 5,724,719,000 in 2023 (previously KShs (752,498,000)). The amounts reclassified wholly relates to dividends received from its fully owned subsidiary (BAT Kenya Tobacco Company Limited).

The notes on pages 126 to 170 are an integral part of these Financial Statements.



## Report &amp; 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 principal activity has been highlighted under the Director's report on page 107.

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

The Financial Statements for the year ended 31 December 2024 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. Material 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® Accounting Standards as issued by the International Accounting Standards Board (IFRS Accounting 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 (KShs), rounded to the nearest thousand.

The preparation of Financial Statements in conformity with IFRS Accounting Standards 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 7.

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.

The Financial Statements are prepared on a going concern basis, as management is satisfied that the Group and Company have adequate resources to continue as a going concern for the foreseeable future.

## (b) New standards, amendments and interpretations

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

New amendments or interpretation	Effective date
— Lease Liability in a Sale and Leaseback – Amendments to IFRS 16 Leases	1 January 2024
— Classification of liabilities as Current or Non-Current and Non-current Liabilities with Covenants – Amendments to IAS 1 Presentation of Financial Statements	1 January 2024
— Amendments to IAS 7 Statement of Cash Flows and IFRS 7 Financial Instruments: Disclosures – Supplier Finance Arrangements	1 January 2024

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

## Report &amp; Financial Statements

## NOTES (continued)

## 2. Material accounting policies (continued)

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

## (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 2024, the following Standards and Interpretations were in issue but not yet effective:

New amendments or interpretation	Effective for annual periods beginning on or after
— Lack of Exchangeability – Amendments to IAS 21 The Effects of Changes in Foreign Exchange Rates	1 January 2025
— Amendments to the Classification and Measurement of Financial Instruments – Amendments to IFRS 9 Financial Instruments and IFRS 7 Financial Instruments: Disclosures	1 January 2026
— Annual Improvements to IFRS Accounting Standards – Amendments to: <ul style="list-style-type: none"> <li>■ IFRS 1 First-time Adoption of International Financial Reporting Standards;</li> <li>■ IFRS 7 Financial Instruments: Disclosures and its accompanying Guidance on implementing IFRS 7;</li> <li>■ IFRS 9 Financial Instruments;</li> <li>■ IFRS 10 Consolidated Financial Statements; and</li> <li>■ IAS 7 Statement of Cash flows</li> </ul>	1 January 2026
— IFRS 18 Presentation and Disclosure in Financial Statements	1 January 2027
— IFRS 19 Subsidiaries without Public Accountability: Disclosures	1 January 2027
— Sale or Contribution of Assets between an Investor and its Associate or Joint Venture – Amendments to IFRS 10 Consolidated Financial Statements and IAS 28 Investments in Associates and Joint Ventures	The effective date for these amendments was deferred indefinitely. Early adoption continues to be permitted

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. The subsidiaries are accounted for at cost less accumulated impairment losses if any.

## (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 and company Financial Statements are presented in 'Kenyan Shillings (KShs)', 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.

## Report &amp; Financial Statements

**NOTES** (continued)**2. Material accounting policies (continued)****(d) Functional currency and foreign currency translation (continued)****(ii) Transactions and balances (continued)**

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

**(e) Segment reporting**

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

**(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 and invoices are paid as per the agreed credit period and payment terms. The Group has no obligations for returns refunds and other similar obligations. The Group does not provide any type of warranties and related obligations.

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: Recognize 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 and impairment losses. All other property, plant and equipment is stated at historical cost less accumulated depreciation and any impairment losses. Historical cost includes expenditure that is directly attributable to the acquisition of the items.

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

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

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



## Report &amp; Financial Statements

## NOTES (continued)

## 2. Material accounting policies (continued)

## (g) Property, plant and equipment (continued)

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

Buildings	2%	per annum
Plant and machinery	5%	per annum
Vehicles and 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.

## Report &amp; Financial Statements

## NOTES (continued)

## 2. Material accounting policies (continued)

## (i) Accounting for leases (continued)

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).

**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.

## Report &amp; Financial Statements

## NOTES (continued)

## 2. Material accounting policies (continued)

## (k) Financial instruments (continued)

## (iii) Offsetting financial instruments

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

## (iv) Impairment of financial assets

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

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

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

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

## (v) Derecognition of financial assets

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



## Report &amp; Financial Statements

## NOTES (continued)

## 2. Material accounting policies (continued)

## (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. This is measured at cost.

## (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.

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.

## Report &amp; Financial Statements

**NOTES** (continued)**2. Material accounting policies (continued)****(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. Declared dividends are accrued after ratification at a General Meeting of the Company.

**(u) Provisions**

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

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

## Report &amp; Financial Statements

## NOTES (continued)

## 2. Material accounting policies (continued)

## (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.



## Report &amp; Financial Statements

## NOTES (continued)

**3. Changes in material accounting policies**

The Group adopted a number of new standards that are effective from 1 January 2024 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 4.

**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 exercises significant judgement in determining whether a present obligation exists and whether a provision should be recognized, or a contingent liability disclosed. In making this assessment, management considers the legal, contractual, the probability of an outflow of economic resources, and the reliability of available estimates.

*(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, SEK 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.

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

## Report &amp; Financial Statements

## NOTES (continued)

## 5. Financial risk management (continued)

## (a) Market risk (continued)

## (i) Foreign exchange risk (continued)

Group - 31 December 2024	USD KShs' 000	GBP KShs' 000	EUR KShs' 000	ZAR KShs' 000	JPY KShs' 000
<b>Asset</b>					
Receivables and prepayments	1,497,806	-	9,503	-	-
Cash and cash equivalents	424,548	10,692	55,221	-	-
	1,922,354	10,692	64,724	-	-
<b>Liabilities</b>					
Payables and accrued expenses	(788,063)	(17,013)	(13,691)	(200)	(5)
	1,134,291	(6,321)	51,033	(200)	(5)

Group - 31 December 2023	USD KShs' 000	GBP KShs' 000	EUR KShs' 000	SEK KShs' 000
<b>Asset</b>				
Receivables and prepayments	1,338,948	462	16,942	12,598
Cash and cash equivalents	1,451,047	21,215	28,242	-
	2,789,995	21,677	45,184	12,598
<b>Liabilities</b>				
Payables and accrued expenses	(408,327)	(11,896)	(47,376)	-
	2,381,668	9,781	(2,192)	12,598

## Report &amp; Financial Statements

## NOTES (continued)

## 5. Financial risk management (continued)

## (a) Market risk (continued)

## (i) Foreign exchange risk (continued)

Company - 31 December 2024	USD KShs' 000	GBP KShs' 000	EUR KShs' 000	JPY KShs' 000
<b>Asset</b>				
Receivables and prepayments	1,493,611	-	9,503	-
Cash and cash equivalents	424,505	10,692	55,221	-
	<b>1,918,116</b>	<b>10,692</b>	<b>64,724</b>	<b>-</b>
<b>Liabilities</b>				
Payables and accrued expenses	(776,748)	(11,927)	-	(5)
	<b>1,141,368</b>	<b>(1,235)</b>	<b>64,724</b>	<b>(5)</b>

Company - 31 December 2023	USD KShs' 000	GBP KShs' 000	EUR KShs' 000	SEK KShs' 000
<b>Asset</b>				
Receivables and prepayments	1,334,753	461	16,941	12,598
Cash and cash equivalents	1,451,005	21,215	28,243	-
	<b>2,785,758</b>	<b>21,676</b>	<b>45,184</b>	<b>12,598</b>
<b>Liabilities</b>				
Payables and accrued expenses	(397,012)	(6,809)	(24,182)	-
	<b>2,388,746</b>	<b>14,867</b>	<b>21,002</b>	<b>12,598</b>

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

	USD KShs' 000	GBP KShs' 000	GBP KShs' 000	EUR KShs' 000	AED KShs' 000	ZAR KShs' 000	JPY KShs' 000
<b>2024</b>							
Average rates	134.82	172.26	145.88	9.40	0.89	-	-
Closing rates	129.29	162.27	134.29	6.87	0.82	-	-
<b>2023</b>							
Average rates	140.07	174.18	151.46	7.59	1.00	38.14	11.47
Closing rates	156.46	199.80	173.78	8.44	1.11	42.60	15.74



## Report &amp; Financial Statements

## NOTES (continued)

## 5. Financial risk management (continued)

## (a) Market risk (continued)

## (i) Foreign exchange risk (continued)

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

Group	2024 KShs' 000	2023 KShs' 000
<b>Currency – USD</b>		
10% movement effect (higher/lower)	113,429	238,167
<b>Currency – GBP</b>		
10% movement effect (higher/lower)	(632)	978
<b>Currency – EUR</b>		
10% movement effect (higher/lower)	5,103	(219)
<b>Currency – ZAR</b>		
10% movement effect (higher/lower)	(20)	-
<b>Currency – JAP</b>		
10% movement effect (higher/lower)	0	-
<b>Currency – SEK</b>		
10% movement effect (higher/lower)	-	1,260
<b>Company</b>		
<b>Currency – USD</b>		
10% movement effect (higher/lower)	(114,137)	238,875
<b>Currency – GBP</b>		
10% movement effect (higher/lower)	(124)	1,487
<b>Currency – EUR</b>		
10% movement effect (higher/lower)	6,472	2,100
<b>Currency – SEK</b>		
10% movement effect (higher/lower)	-	1,260

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.

## Report &amp; Financial Statements

## NOTES (continued)

## 5. Financial risk management (continued)

## (a) Market risk (continued)

## (i) Foreign exchange risk (continued)

Group Financial derivatives	2024			2023		
	Assets KShs' 000	Liabilities KShs' 000	Total KShs' 000	Assets KShs' 000	Liabilities KShs' 000	Total KShs' 000
Carrying amounts	-	-	-	3,136	-	3,136
<b>Expected cashflows</b>						
1-6 Months	-	-	-	3,136	-	3,136
<b>Total</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>3,136</b>	<b>-</b>	<b>3,136</b>

Company Financial derivatives	2024			2023		
	Assets KShs' 000	Liabilities KShs' 000	Total KShs' 000	Assets KShs' 000	Liabilities KShs' 000	Total KShs' 000
Carrying amounts	-	-	-	3,136	-	3,136
<b>Expected cashflows</b>						
1-6 Months	-	-	-	3,136	-	3,136
<b>Total</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>3,136</b>	<b>-</b>	<b>3,136</b>

**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 2024, an increase/decrease of 1% would have resulted in insignificant change (2023: insignificant) in Group and Company post tax profit.

## Report &amp; Financial Statements

## NOTES (continued)

## 5. Financial risk management (continued)

## (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 2024 and 31 December 2023 is made up as follows:

	Group		Company	
	2024	2023	2024	2023
	KShs' 000	KShs' 000	KShs' 000	KShs' 000
Cash and cash equivalents	5,390,275	1,820,542	5,120,449	1,820,556
Amounts due from related parties	758,796	1,240,095	1,971,763	4,003,735
Trade and other receivables	2,736,220	2,429,544	1,352,158	611,042
Derivative financial instruments	-	3,136	-	3,136
	8,885,291	5,493,317	8,444,370	6,438,469

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 2024**

The Group uses the simplified approach to measure ECL. 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 2024 and 2023.



## Report &amp; Financial Statements

## NOTES (continued)

## 5. Financial risk management (continued)

## (b) Credit risk (continued)

## (i) Trade receivables

As at 31 December 2024 - Group				
Aging bucket	Loss rate	Carrying amount KShs' 000	Loss allowance KShs' 000	Credit impaired
Current	0.10%	2,539,336	2,253	No
0-30 days past due	0.12%	1,314	2	No
31-90 days past due	0.14%	344	-	No
90-180 days past due	0.16%	-	-	No
Items over 6 months but within 12 months	0.18%	-	-	No
Items over 12 months	0.20%	2,248,645	248,645	Yes
		<b>2,792,554</b>	<b>250,906</b>	

As at 31 December 2024 - Company				
Aging bucket	Loss rate	Carrying amount KShs' 000	Loss allowance KShs' 000	Credit impaired
Current	0.10%	1,158,200	1,082	No
0-30 days past due	0.12%	1,314	2	No
31-90 days past due	0.12%	344	-	No
90-180 days past due	0.16%	-	-	No
Items over 6 months but within 12 months	0.18%	-	-	No
Items over 12 months	0.20%	2,915	6	Yes
		<b>1,162,773</b>	<b>1,090</b>	

## As at 31 December 2023 - Group

Aging bucket	Loss rate	Carrying amount KShs' 000	Loss allowance KShs' 000	Credit impaired
Current	0.10%	2,111,825	1,762	No
0-30 days	0.12%	-	-	No
31-90 days	0.14%	-	-	No
90-180 days	0.16%	-	-	No
Items over 6 months but within 12 months	0.18%	-	-	No
Items over 12 months	0.20%	248,644	248,644	Yes
		<b>2,360,469</b>	<b>250,406</b>	

## Report &amp; Financial Statements

## NOTES (continued)

## 5. Financial risk management (continued)

## (b) Credit risk (continued)

## (i) Trade receivables (continued)

As at 31 December 2023 - Company

Aging bucket	Loss rate	Carrying amount KShs' 000	Loss allowance KShs' 000	Credit impaired
Current	0.10%	-	-	No
0-30 days	0.12%	-	-	No
31-90 days	0.14%	-	-	No
90-180 days	0.16%	-	-	No
Items over 6 months but within 12 months	0.18%	-	-	No
Items over 12 months	0.20%	-	-	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 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 2024 (31 December 2023: Nil).

## (iii) Loans and advances to farmers

For Group and Company, the calculated ECL which represents the probability of default was 9.65% (2023: 1.84%) 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 32,269,331 for the year ended 31 December 2024 (31 December 2023: KShs 5,282,349).

## (iv) Cash and cash equivalents

The Group and Company held cash and cash equivalents of KShs 5,390,275,000 and KShs 5,120,449,000 respectively (2023: Group KShs 1,820,542,000 and Company - KShs 1,820,556,000). The cash and cash equivalents are held with banks and financial institution counterparties, which are rated between A1 to Ba1, based on Moody's ratings.

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

The ECL provision in line with IFRS 9 as at 31 December 2024 and 2023 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 2024 and 2023 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.

## Report &amp; Financial Statements

## NOTES (continued)

## 5. Financial risk management (continued)

## (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 30) 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 2024	Less than 1 year KShs' 000	Between 1 & 3 years KShs' 000
<b>Liabilities</b>		
Borrowings	22,765	95,853
Trade and other payables	3,660,860	-
Amounts due to related parties	663,740	-
<b>Total financial liabilities</b>	<b>4,347,365</b>	<b>95,853</b>
<b>Assets</b>		
Cash and bank balances	5,390,275	-
Amounts due from related parties	758,796	-
Trade and other receivables	2,736,220	-
<b>Total financial assets</b>	<b>8,885,291</b>	<b>-</b>



## Report &amp; Financial Statements

## NOTES (continued)

## 5. Financial risk management (continued)

## (c) Liquidity risk (continued)

## (i) Group (continued)

At 31 December 2023	Less than 1 year KShs' 000	Between 1 & 3 years KShs' 000
<b>Liabilities</b>		
Borrowings	13,942	10,319
Trade and other payables	2,955,735	-
Amounts due to related parties	684,047	-
<b>Total financial liabilities</b>	<b>3,653,724</b>	<b>10,319</b>
<b>Assets</b>		
Cash and bank balances	1,820,542	-
Amounts due from related parties	1,240,095	-
Trade and other receivables	2,429,544	-
Derivative financial instruments	3,136	-
<b>Total financial assets</b>	<b>5,493,317</b>	<b>-</b>

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

## (ii) Company

At 31 December 2024	Less than 1 year KShs' 000	Between 1 & 3 years KShs' 000
<b>Liabilities</b>		
Borrowings	21,390	95,853
Trade and other payables	3,034,125	-
Amounts due to related parties	663,742	-
<b>Total financial liabilities</b>	<b>3,719,257</b>	<b>95,853</b>
<b>Assets</b>		
Cash and bank balances	5,120,449	-
Amounts due from related parties	1,971,763	-
Trade and other receivables	1,352,158	-
<b>Total financial assets</b>	<b>8,444,370</b>	<b>-</b>

## Report &amp; Financial Statements

## NOTES (continued)

## 5. Financial risk management (continued)

## (c) Liquidity risk

## (i) Company

At 31 December 2023	Less than 1 year KShs' 000	Between 1 & 3 years KShs' 000
<b>Liabilities</b>		
Borrowings	12,065	-
Trade and other payables	2,615,969	-
Amounts due to related parties	650,456	-
<b>Total financial liabilities</b>	<b>3,278,490</b>	<b>-</b>
<b>Assets</b>		
Cash and bank balances	1,820,556	-
Amounts due from related parties	4,003,735	-
Trade and other receivables	611,042	-
Derivative financial instruments	3,136	-
<b>Total financial assets</b>	<b>6,438,469</b>	<b>-</b>

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	
	2024 KShs' 000	2023 KShs' 000	2024 KShs' 000	2023 KShs' 000
Total borrowings	97,667	22,755	91,473	12,065
Less: cash and cash equivalents	(5,390,275)	(1,820,542)	(5,120,449)	(1,820,556)
Net debt	(5,292,608)	(1,797,787)	(5,028,976)	(1,808,491)
Total equity	15,733,130	16,249,760	15,733,130	16,249,760
<b>Total capital</b>	<b>10,440,522</b>	<b>14,451,972</b>	<b>10,704,154</b>	<b>14,441,269</b>
<b>Gearing ratio</b>	<b>(51%)</b>	<b>(12%)</b>	<b>(47%)</b>	<b>(12%)</b>

## Report &amp; Financial Statements

## 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:

	Group		Company	
	2024	2023	2024	2023
	KShs' 000	KShs' 000	KShs' 000	KShs' 000
Trade and other receivables (excluding pre-payments)	3,495,016	3,669,639	3,323,921	4,614,777
Cash and cash equivalents	5,390,275	1,820,542	5,120,449	1,820,556
Derivative financial instruments	-	3,136	-	3,136
	8,885,291	5,493,317	8,444,370	6,438,469

*Financial liabilities:*

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

	Group		Company	
	2024	2023	2024	2023
	KShs' 000	KShs' 000	KShs' 000	KShs' 000
Trade and other receivables (excluding pre-payments)	4,324,600	3,639,783	3,697,867	3,266,425
Borrowings	97,667	22,754	91,473	12,065
Derivative financial instruments	-	3,136	-	-
	4,422,267	3,665,673	3,789,340	3,278,490

## (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 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.



## Report &amp; Financial Statements

## NOTES (continued)

## 5. Financial risk management (continued)

## (e) Fair Value (continued)

## 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 Group has not disclosed the fair value of short term financial assets and financial liabilities as management assessed that the fair value of short-term financial liabilities and financial assets approximate their carrying amounts largely due to the short-term maturities of these instruments.

The following table shows an analysis of non-financial assets held at fair value as at 31 December 2024 and 31 December 2023:

	Group		Company	
	2024	2023	2024	2023
	KShs' 000	KShs' 000	KShs' 000	KShs' 000
Property, plant and equipment (Note 20)	9,811,984	11,541,830	9,806,748	9,993,714
<b>Total assets</b>	<b>9,811,984</b>	<b>11,541,830</b>	<b>9,806,748</b>	<b>9,993,714</b>

Group				
31 December 2024	Level 1	Level 2	Level 3	Total
	KShs' 000	KShs' 000	KShs' 000	KShs' 000
Property, plant and equipment	-	5,543,548	-	-

Group				
31 December 2023	Level 1	Level 2	Level 3	Total
	KShs' 000	KShs' 000	KShs' 000	KShs' 000
Property, plant and equipment	-	5,390,052	-	-

Company				
31 December 2024	Level 1	Level 2	Level 3	Total
	KShs' 000	KShs' 000	KShs' 000	KShs' 000
Property, plant and equipment	-	5,538,261	-	-

Company				
31 December 2023	Level 1	Level 2	Level 3	Total
	KShs' 000	KShs' 000	KShs' 000	KShs' 000
Property, plant and equipment	-	5,380,270	-	-

## Report &amp; Financial Statements

## NOTES (continued)

## 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.

## 7. Revenue and segment information

The Managing Director is the Group's chief operating decision-maker. Revenue from contracts with customers is disaggregated by geographical markets and products. Geographically, the management considers 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.

	2024 KShs' 000	2023 KShs' 000
<b>Analysis of net revenue from contract with customers by geography:</b>		
Local sales	13,441,944	12,300,904
Export sales	12,273,959	13,256,647
	<b>25,715,903</b>	<b>25,557,551</b>
<b>Analysis of net revenue from contract with customers by product:</b>		
Sale of cigarettes	24,459,183	23,706,118
Sale of cut rag	1,256,720	1,544,210
Sale of modern oral	-	307,223
	<b>25,715,903</b>	<b>25,557,551</b>

## 8. Raw materials and manufacturing costs

	2024 KShs' 000	2023 KShs' 000
Raw materials, consumables and other manufacturing costs	13,124,851	12,816,927
Employment expenses	1,381,547	1,519,651
Depreciation of property, plant and equipment	501,224	461,495
Impairment of property, plant and equipment	211,071	186,103
	<b>15,218,693</b>	<b>14,984,177</b>

## Report &amp; Financial Statements

## NOTES (continued)

## 9. Marketing and distribution costs

	2024 KShs' 000	2023 KShs' 000
Employment expenses	374,855	336,629
Depreciation	79,140	75,735
Freight and other expenses	1,010,612	1,037,921
	1,464,607	1,450,285

## 10. Administration and other expenses

	2023 KShs' 000	2024 KShs' 000
Employment expenses	119,036	136,947
Recharges and other expenses	1,179,733	1,090,229
Depreciation	123,376	161,399
Employee reorganisation costs*	570,634	23,477
	1,992,779	1,412,052

\*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 costs/(income)

	Group		Company	
	2024 KShs' 000	2023 KShs' 000	2024 KShs' 000	2023 KShs' 000
Interest income	(31,212)	(14,498)	(31,212)	(14,498)
Interest expense	107,551	189,378	106,246	187,645
Interest on lease liabilities	15,477	2,561	14,715	1,444
Net foreign currency exchange (gains)/losses	737,275	(273,996)	737,275	(273,995)
	829,091	(96,555)	827,024	(99,404)



## Report &amp; Financial Statements

## NOTES (continued)

## 12. Profit before tax

	2024 KShs' 000	2023 KShs' 000
The following items have been charged in arriving at the profit before income tax:		
Employee benefits expense (Note 13)	2,446,072	2,016,704
Auditor's remuneration	15,756	15,003
Depreciation (Note 20)	703,740	(698,629)
Gain on disposal	(1,448)	-

## 13. Employee benefits expense

	2024 KShs' 000	2023 KShs' 000
Salaries and wages	1,785,310	1,893,835
Retirement benefits costs:		
▪ Defined contribution scheme	75,235	80,921
▪ National Social Security Fund (NSSF)	14,893	18,471
Employee re-organisation costs (Note 10)	570,634	23,477
	<b>2,446,072</b>	<b>2,016,704</b>

## 14. Income tax expense

Group	2024 KShs' 000	2023 KShs' 000
Current income tax		
Current tax on profits for the year	2,155,272	2,637,718
Total current tax	2,155,272	2,637,718
Deferred income tax (Note 19)		
▪ Deferred income tax	(162,939)	(188,903)
▪ Prior year under provision of deferred tax	8,244	5,506
Total deferred income tax	(154,695)	(183,397)
Income tax expense	<b>2,000,577</b>	<b>2,454,321</b>

## Report &amp; Financial Statements

## NOTES (continued)

## 14. Income tax expense (continued)

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:

	Group	
	2024	2023
	KShs' 000	KShs' 000
Profit before income tax	6,483,947	8,022,338
Tax calculated at domestic rate applicable to profit - 30% (2023:30%)	1,945,184	2,406,701
Tax effect of:		
Income not subject to tax	(26,586)	(15,337)
Expenses not deductible for tax purposes:		
Depreciation on non-qualifying assets	26,841	32,953
Other non-deductible expenses	50,271	27,143
Prior year over provision of deferred tax	8,244	5,506
Prior year under provision of current tax	(3,377)	(2,645)
Income tax expense	2,000,577	2,454,321

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

	2024			2023		
	KShs' 000			KShs' 000		
Group	Before tax	Tax charge	After tax	Before tax	Tax charge	After tax
Transfer of excess depreciation	54,302	(16,291)	38,011	54,302	(16,291)	38,011
Fair value on hedge reserve	-	-	-	(291)	87	(204)
Transfer on property disposal	(89,370)	26,812	(62,558)	-	-	-
	(35,068)	10,521	(24,547)	54,011	(16,204)	37,807

## 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.

	2024	2023
Profit attributable to equity holders of the Company (KShs '000)	4,483,370	5,568,017
Weighted average number of ordinary shares in issue (thousands)	100,000	100,000
Basic earnings per share (Shs)	44.83	55.68

## Report &amp; Financial Statements

## NOTES (continued)

## 16. Dividends per share

During the year a final dividend in respect of the 2023 financial results of KShs 45 (2022: KShs 52) and an interim dividend of KShs 5 per share (2023: KShs 5) was declared and paid. The total dividend paid in the year is therefore KShs 50 per share (2023: KShs 57), amounting to a total of KShs 5,000,000,000 (2023: KShs 5,700,000,000).

At the annual general meeting to be held on 26 June 2024 a final dividend in respect of the year ended 31 December 2024 of KShs 45.00 per share amounting to a total of KShs 4,500,000,000 (2023: KShs 4,500,000,000) 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.

## 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 no hedge reserve as at 31 December 2024. The hedging reserve was nil as at 31 December 2023.

## 18. Revaluation surplus

The revaluation reserve surplus of KShs 2,661,131,000 (2023: KShs 2,761,700,000) 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

	2024 KShs' 000	2023 KShs' 000
The analysis of Group deferred tax assets and deferred liabilities is as follows		
Deferred tax assets	(248,785)	(264,875)
Deferred tax liabilities	1,820,839	1,991,624
Deferred tax liabilities (net)	1,572,054	1,726,749



## Report &amp; Financial Statements

## NOTES (continued)

## 19. Deferred income tax (continued)

Deferred income tax is calculated using the enacted income tax rate of 30% (2023: 30%). The movement on the Group deferred income tax account is as follows:

	2024 KShs' 000	2023 KShs' 000
At start of year	1,726,749	1,910,233
Credit to statement of profit or loss and other comprehensive income	(162,939)	(188,903)
Prior year under provision of deferred tax	8,244	5,506
<b>Total charge to P&amp;L</b>	<b>(154,695)</b>	<b>(183,397)</b>
<b>Charge to equity</b>	<b>-</b>	<b>(87)</b>
<b>At end of year</b>	<b>1,572,054</b>	<b>1,726,749</b>

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 2024	1.1.2024 KShs' 000	Charged /(credited) to P&L KShs' 000	Charged /(credited) to equity KShs' 000	31.12.2024 KShs' 000
<b>Deferred income tax liabilities</b>				
Property, plant and equipment:				
▪ on historical cost basis	941,935	(27,597)	-	914,338
▪ on revaluation surpluses	1,213,549	(26,815)	-	1,186,734
▪ on right of use assets	6,050	-	-	6,050
Unrealised exchange gains	103,638	(57,924)	-	45,714
Deferred tax in respect of fair value gain on hedge reserve	12,840	-	-	12,840
	<b>2,278,012</b>	<b>(112,336)</b>	<b>-</b>	<b>2,165,676</b>
<b>Deferred income tax assets</b>				
Provisions for liabilities and charges	(577,508)	25,963	-	(551,545)
Unrealised exchange losses	(52,719)	(75,378)	-	(128,097)
Lease liabilities	(6,827)	(1,188)	-	(8,015)
Deferred tax in respect of fair value loss on hedge reserve	(22,703)	-	-	(22,703)
Prior year under provision of deferred tax	108,494	8,244	-	116,738
	<b>(551,263)</b>	<b>(42,359)</b>	<b>-</b>	<b>(593,622)</b>
<b>Net deferred income tax liability</b>	<b>1,726,749</b>	<b>(154,695)</b>	<b>-</b>	<b>1,572,054</b>

## Report &amp; Financial Statements

## 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 2023	1.1.2023 KShs' 000	Charged /(credited) to P&L KShs' 000	Charged /(credited) to equity KShs' 000	31.12.2023 KShs' 000
<b>Deferred income tax liabilities</b>				
Property, plant and equipment:				
▪ on historical cost basis	1,026,308	(84,373)	-	941,935
▪ on revaluation surpluses	1,213,549	-	-	1,213,549
▪ on right of use assets	7,212	(1,162)	-	6,050
Unrealised exchange gains	35,494	68,144	-	103,638
Deferred tax in respect of fair value gain on hedge reserve	12,840	-	-	12,840
	<b>2,295,403</b>	<b>(17,391)</b>	<b>-</b>	<b>2,278,012</b>
<b>Deferred income tax assets</b>				
Provisions for liabilities and charges	(441,097)	(136,411)	-	(577,508)
Unrealised exchange losses	(16,087)	(36,632)	-	(52,719)
Lease liabilities	(8,358)	1,531	-	(6,827)
Deferred tax in respect of fair value loss on hedge reserve	(22,616)	-	(87)	(22,703)
Prior year under provision of deferred tax	102,988	5,506	-	108,494
	<b>(385,170)</b>	<b>(166,006)</b>	<b>(87)</b>	<b>(551,263)</b>
<b>Net deferred income tax liability</b>	<b>1,910,233</b>	<b>(183,397)</b>	<b>(87)</b>	<b>1,726,749</b>

Deferred income tax of KShs 43,102,000 (2023: KShs 16,291,000) 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 and sold land.

## Report &amp; Financial Statements

## NOTES (continued)

## 19. Deferred income tax (continued)

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

	2024	2023
The analysis of Company deferred tax assets and deferred tax liabilities is as follows:	KShs' 000	KShs' 000
<b>Deferred income tax liabilities (net)</b>	<b>1,820,839</b>	<b>1,991,624</b>
Property, plant and equipment:		
▪ on historical cost basis	950,630	977,836
▪ on revaluation surpluses	1,252,347	1,270,958
Unrealised exchange gains	42,520	99,569
<b>Total deferred income tax liabilities</b>	<b>2,245,497</b>	<b>2,348,363</b>
<b>Deferred income tax assets</b>		
Provisions for liabilities and charges	(298,500)	(307,105)
Unrealised exchange losses	(124,473)	(49,137)
Right of use assets	(1,685)	(497)
<b>Total deferred income tax liabilities</b>	<b>(424,658)</b>	<b>(356,739)</b>
<b>Net deferred income tax liability</b>	<b>1,820,839</b>	<b>1,991,624</b>



## Report &amp; Financial Statements

## NOTES (continued)

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

	Land and Buildings KShs' 000	Plant and Machinery KShs' 000	Vehicles and Equipment KShs' 000	Construction in Progress* KShs' 000	Total KShs' 000
<b>Year ended 31 December 2024</b>					
Opening net book amount	5,390,052	3,726,987	504,003	1,920,788	11,541,830
<b>Additions</b>					
Purchases	43,390	114,332	50,030	114,263	322,015
ROU Additions	-	96,056	7,142	-	103,198
Impairment	-	(159,686)	-	(51,385)	(211,071)
Depreciation charge	(121,079)	(405,186)	(177,475)	-	(703,740)
Transfers	233,984	211,892	58,549	(504,425)	-
<b>Disposals</b>					
Cost	(4,640)	(1,524)	(36,261)	(1,011,836)	(1,054,261)
Accumulated depreciation	1,841	1,254	36,261	-	39,356
Transfers to assets held for sale	-	-	-	(225,343)	(225,343)
<b>Closing net book amount</b>	<b>5,543,548</b>	<b>3,584,125</b>	<b>442,249</b>	<b>242,062</b>	<b>9,811,984</b>
<b>At 31 December 2024</b>					
Cost or valuation	7,224,466	10,538,192	1,811,099	293,445	19,867,202
Accumulated depreciation	(1,680,918)	(6,954,067)	(1,368,850)	(51,383)	(10,055,218)
<b>Net book amount</b>	<b>5,543,548</b>	<b>3,584,125</b>	<b>442,249</b>	<b>242,062</b>	<b>9,811,984</b>

## Report &amp; Financial Statements

## NOTES (continued)

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

	Land and Buildings KShs' 000	Plant and Machinery KShs' 000	Vehicles and Equipment KShs' 000	Construction in Progress* KShs' 000	Total KShs' 000
<b>Year ended 31 December 2023</b>					
Opening net book amount	5,347,667	3,969,533	414,094	2,204,192	11,935,486
<b>Additions</b>					
Purchases	4,246	110,568	175,350	149,198	439,362
ROU Additions	3,977	-	7,357	-	11,334
Impairment	-	(185,939)	(164)	-	(186,103)
Depreciation charge	(118,288)	(390,038)	(190,303)	-	(698,629)
Transfers	112,070	222,863	97,669	(432,602)	-
<b>Assets reclassified as held for sale</b>					
Cost	53,929	-	-	-	53,929
Accumulated depreciation	(13,549)	-	-	-	(13,549)
<b>Closing net book amount</b>	<b>5,390,052</b>	<b>3,726,987</b>	<b>504,003</b>	<b>1,920,788</b>	<b>11,541,830</b>
<b>At 31 December 2023</b>					
Cost or valuation	6,951,732	10,117,437	1,731,638	1,920,788	20,721,595
Accumulated depreciation	(1,561,680)	(6,390,450)	(1,227,635)	-	(9,179,765)
<b>Net book amount</b>	<b>5,390,052</b>	<b>3,726,987</b>	<b>504,003</b>	<b>1,920,788</b>	<b>11,541,830</b>

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

As at 31 December 2024, property, plant and equipment includes right of use assets of KShs 87,437,000 (2023 – KShs 20,128,000 related to leased properties (see Note 29).

## Report &amp; Financial Statements

## NOTES (continued)

## 20. (a) Property, plant and equipment – Company

	Land and Buildings KShs' 000	Plant and Machinery KShs' 000	Vehicles and Equipment KShs' 000	Construction in Progress* KShs' 000	Total KShs' 000
<b>Year ended 31 December 2024</b>					
Opening net book amount	5,380,270	3,727,035	504,005	382,404	9,993,714
<b>Additions</b>					
Purchases	43,390	114,332	50,030	383,494	591,246
ROU Additions	-	96,056	7,142	-	103,198
Impairment	-	(159,686)	-	(7,150)	(166,836)
Depreciation charge	(119,383)	(405,186)	(177,475)	-	(702,044)
Transfers	233,984	211,892	58,549	(504,425)	-
<b>Disposals</b>					
Cost	-	(1,524)	(36,261)	(12,260)	(50,045)
Accumulated depreciation	-	1,254	36,261	-	37,515
<b>Closing net book amount</b>	<b>5,538,261</b>	<b>3,584,173</b>	<b>442,251</b>	<b>242,063</b>	<b>9,806,748</b>
<b>At 31 December 2024</b>					
Cost or valuation	7,215,776	10,539,271	1,829,204	249,213	19,833,464
Accumulated depreciation	(1,677,515)	(6,955,098)	(1,386,953)	(7,150)	(10,026,716)
<b>Net book amount</b>	<b>5,538,261</b>	<b>3,584,173</b>	<b>442,251</b>	<b>242,063</b>	<b>9,806,748</b>



## Report &amp; Financial Statements

## NOTES (continued)

## 20. (a) Property, plant and equipment – Company (continued)

	Land and Buildings KShs' 000	Plant and Machinery KShs' 000	Vehicles and Equipment KShs' 000	Construction in Progress* KShs' 000	Total KShs' 000
<b>Year ended 31 December 2023</b>					
Opening net book amount	5,339,577	3,969,581	414,095	713,279	10,436,532
<b>Additions</b>					
Purchases	4,246	110,568	175,349	101,727	391,890
ROU Additions	-	-	7,358	-	7,358
Impairment	-	(185,939)	(164)	-	(186,103)
Depreciation charge	(116,003)	(390,038)	(190,302)	-	(696,343)
Transfers	112,070	222,863	97,669	(432,602)	-
<b>Assets reclassified as held for sale</b>					
Cost	53,929	-	-	-	53,929
Accumulated depreciation	(13,549)	-	-	-	(13,549)
<b>Closing net book amount</b>	<b>5,380,270</b>	<b>3,727,035</b>	<b>504,005</b>	<b>382,404</b>	<b>9,993,714</b>
<b>At 31 December 2023</b>					
Cost or valuation	6,938,403	10,118,516	1,749,743	382,404	19,189,066
Accumulated depreciation	(1,558,133)	(6,391,481)	(1,245,738)	-	(9,195,352)
<b>Net book amount</b>	<b>5,380,270</b>	<b>3,727,035</b>	<b>504,005</b>	<b>382,404</b>	<b>9,993,714</b>

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

As at 31 December 2024, property, plant and equipment includes right of use assets of KShs 82,200,000 (2023: KShs 10,396,000) related to leased properties (see Note 29).

**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 categorised 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 useful life and estimated cost of replacing the asset. If the useful life and estimated cost of replacing the asset increased, the estimated fair value would increase, and if the useful life and estimated cost of replacing the asset had decreased, the estimated fair value would decrease.

## Report &amp; Financial Statements

## NOTES (continued)

## 20. (a) Property, plant and equipment – Company

If the land and buildings were stated on the historical cost basis, the amounts would be as follows:

	2,024 Shs' 000	2,023 Shs' 000
Cost	2,673,637	2,396,263
Accumulated depreciation	(745,438)	(680,358)
<b>Net book amount</b>	<b>1,928,199</b>	<b>1,715,905</b>

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 amounted to KShs 171,945,000 as at 31 December 2022. 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. One of the properties was disposed of during the year.

In the year ended 31 December 2024, management also approved the disposal of machinery and classified them as held for sale. The fair value less costs to sell of the reclassified assets are KShs 225,344,000.

	Group		Company	
	2024 KShs' 000	2023 KShs' 000	2024 KShs' 000	2023 KShs' 000
<b>At the start of the year</b>	263,294	301,670	263,294	301,670
Reclassifications from property plant and equipment	225,343	-	-	-
<b>Disposal</b>				
Cost	(120,536)	-	(120,536)	-
Accumulated depreciation	29,187	-	29,187	-
<b>Reclassifications to property plant and equipment</b>				
Cost	-	(53,929)	-	(53,929)
Accumulated depreciation	-	13,549	-	13,549
Fair value adjustment	-	2,004	-	2,004
<b>At the end of the year</b>	<b>397,288</b>	<b>263,294</b>	<b>171,945</b>	<b>263,294</b>

## Report &amp; Financial Statements

## 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
Totals		12,000

## 22. Inventories

	Group		Company	
	2024 KShs' 000	2023 KShs' 000	2024 KShs' 000	2023 KShs' 000
Raw materials and consumables	2,999,791	4,885,600	2,999,765	4,865,377
Finished goods	324,299	755,729	322,982	671,498
	3,324,090	5,641,329	3,322,747	5,536,875

## 23. Receivables and prepayments

	Group		Company	
	2024 KShs' 000	2023 KShs' 000	2024 KShs' 000	2023 KShs' 000
Trade receivables	2,541,648	2,110,063	1,161,683	-
Other receivables	194,572	319,481	190,475	611,042
Prepayments	55,437	281,964	55,437	275,647
Due from related parties	758,796	1,240,095	1,971,763	4,003,735
	3,550,453	3,951,603	3,379,358	4,890,424

The carrying amounts of the above receivables and prepayments approximate their fair values.

## Report &amp; Financial Statements

## NOTES (continued)

## 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			
	2024	2023	2024	2023
	KShs' 000	KShs' 000	KShs' 000	KShs' 000
Forward foreign currency contracts	-	-	3,136	-
Current	-	-	3,136	-
Non-current	-	-	-	-
	-	-	3,136	-

These derivatives principally consist of foreign currency swaps 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	
	2024	2023	2024	2023
	KShs' 000	KShs' 000	KShs' 000	KShs' 000
Cash at bank	5,390,275	1,820,542	5,120,449	1,820,556

For the purposes of the cash flow statement, cash and cash equivalents comprise the following:

	Group		Company	
	2024	2023	2024	2023
	KShs' 000	KShs' 000	KShs' 000	KShs' 000
Cash at bank	5,390,275	1,820,542	5,120,449	1,820,556
	5,390,275	1,820,542	5,120,449	1,820,556



## Report &amp; Financial Statements

## NOTES (continued)

## 26. Payables and accrued expenses

	Group		Company	
	2024	2023	2024	2023
	KShs' 000	KShs' 000	KShs' 000	KShs' 000
Trade payables	1,088,613	1,318,904	1,028,475	1,132,597
Statutory payables	1,151,855	1,720,854	822,238	1,104,932
Due to related companies	663,740	684,047	663,742	650,456
Accrued charges	2,286,269	1,416,320	1,719,671	1,262,860
Other payables	285,978	220,512	285,979	220,512
	5,476,455	5,360,637	4,520,105	4,371,357

## 27. Borrowings

	Group		Company	
	2024	2023	2024	2023
	KShs' 000	KShs' 000	KShs' 000	KShs' 000
<b>Non-current</b>				
Lease liabilities	74,902	8,813	70,083	-
	74,902	8,813	70,083	-
<b>Current</b>				
Lease liabilities	22,765	13,942	21,390	12,065
	22,765	13,942	21,390	12,065

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	
	2024	2023	2024	2023
	KShs' 000	KShs' 000	KShs' 000	KShs' 000
Opening balance	22,755	36,260	12,065	27,982
Lease liability reclassification				
Lease additions	103,198	11,334	103,198	7,358
Lease liability disposals	(3,180)	-	-	-
Payment of lease liabilities	(40,583)	(27,400)	(38,505)	(24,719)
Interest expense	15,477	2,561	14,715	1,444
<b>Closing balance</b>	<b>97,667</b>	<b>22,755</b>	<b>91,473</b>	<b>12,065</b>

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.

## Report &amp; Financial Statements

## NOTES (continued)

## 27. Borrowings (continued)

	2023 KShs' 000	2024 KShs' 000
Overdraft and short-term loan facilities bonds and guarantees	9,734,180	9,586,000
	<u>9,734,180</u>	<u>9,586,000</u>

## 28. Current tax movement

	Group		Company	
	2024 KShs' 000	2023 KShs' 000	2024 KShs' 000	2023 KShs' 000
Opening income tax asset	563,339	512,962	529,979	451,098
Charge to statement of profit or loss and other comprehensive income	(2,155,272)	(2,637,718)	(265,324)	(412,997)
Income tax paid	2,523,284	2,688,095	571,233	491,878
<b>Closing income tax asset</b>	<b>931,351</b>	<b>563,339</b>	<b>835,888</b>	<b>529,979</b>

## 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 KShs' 000	Vehicles and Equipment KShs' 000	Total KShs' 000
<b>Group</b>			
<b>2024</b>			
Balance as at 1 <sup>st</sup> January	9,732	10,396	20,128
Additions to right-of-use assets	-	103,198	103,198
Depreciation charge for the year	(1,696)	(31,394)	(33,090)
Derecognition of right-of-use assets	(2,799)	-	(2,799)
<b>Balance as at 31st December</b>	<b>5,237</b>	<b>82,200</b>	<b>87,437</b>
<b>2023</b>			
Balance as at 1 <sup>st</sup> January	8,040	25,314	33,354
Additions to right-of-use assets	3,977	7,357	11,334
Depreciation charge for the year	(2,285)	(21,304)	(23,589)
Derecognition of right-of-use assets	-	(971)	(971)
<b>Balance as at 31st December</b>	<b>9,732</b>	<b>10,396</b>	<b>20,128</b>

## Report &amp; Financial Statements

## NOTES (continued)

## 29. Leases (continued)

## (i) Right-of-use assets (continued)

Company	Vehicles and Equipment KShs' 000	Total KShs' 000
<b>2024</b>		
Balance as at 1st January	10,397	10,397
Additions to right-of-use assets	103,198	103,198
Depreciation charge for the year	(31,394)	(31,394)
<b>Balance as at 31 December</b>	<b>82,201</b>	<b>82,201</b>
<b>2023</b>		
Balance as at 1st January	25,314	25,314
Additions to right-of-use assets	7,358	7,358
Depreciation charge for the year	(21,304)	(21,304)
Derecognition of right-of-use assets	(971)	(971)
<b>Balance as at 31 December</b>	<b>10,397</b>	<b>10,397</b>

## (ii) Amounts recognised in profit or loss

	Group		Company	
	2024 KShs' 000	2023 KShs' 000	2024 KShs' 000	2023 KShs' 000
Lease under IFRS 16				
Interest on lease liability	15,477	2,561	14,715	1,444

## (iii) Amounts recognised in cash flows

	Group		Company	
	2024 KShs' 000	2023 KShs' 000	2024 KShs' 000	2023 KShs' 000
Lease under IFRS 16				
Total cash outflows for leases	(40,583)	27,400	(38,505)	24,719

*Renewal and cancellation options*

Vehicle leases contain options exercisable by the Group to end the lease contract before contract period elapses.

## Report &amp; Financial Statements

## NOTES (continued)

## 30. Provisions for liabilities and charges

	Group KShs' 000	Company KShs' 000
Year ended 31 December 2024		
At start of year	425,172	425,172
Additional provisions	100,963	58,416
At end of year	526,135	483,588
Year ended 31 December 2023		
At start of year	389,257	389,257
Additional provisions	35,915	35,915
At end of year	425,172	425,172

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.



## Report &amp; Financial Statements

## NOTES (continued)

## 31. Cash generated from operations

## (a) Reconciliation of profit before taxation cash generated from operations

Group	2024 KShs' 000	2023 KShs' 000
Profit before taxation	6,483,947	8,022,338
Adjustments for:		
Depreciation (Note 20)	703,740	698,629
Impairment (Note 8)	211,071	186,103
Gain on disposal of assets	(1,450)	-
Interest income (Note 11)	(31,212)	(14,498)
Interest expense (Note 11)	107,551	189,378
Interest on lease liabilities (Note 11)	15,477	2,561
Gain on extinguishment of lease liabilities	(379)	-
Fair value gain /(loss) on ineffective derivatives	3,136	(5,503)
Fair value adjustment on assets held for sale (Note 20b)	-	(2,004)
Changes in working capital:		
▪ inventories	2,317,239	(2,009,592)
▪ receivables and prepayments	401,150	1,082,475
▪ payables and accrued expenses	115,818	296,474
▪ provisions for liabilities and charges	100,963	35,915
Cashflows from operations	10,427,051	8,482,276

## Report &amp; Financial Statements

## NOTES (continued)

## 31. Cash generated from operations (continued)

## (a) Reconciliation of profit before taxation cash generated from operations (continued)

Company	2024 KShs' 000	2023 KShs' 000
Profit before taxation	196,455	929,935
Adjustments for:		
Depreciation (Note 20)	702,044	696,343
Impairment (Note 8)	166,836	186,103
Gain on disposal of assets	(1,448)	
Interest income (Note 11)	(31,212)	(14,498)
Interest expense (Note 11)	106,246	187,645
Interest on lease liabilities (Note 11)	14,715	1,444
Fair value gain/(loss) on ineffective derivatives	3,136	(5,503)
Fair value adjustment on assets held for sale (Note 24b)	-	(2,004)
Fair value adjustment on assets held for sale (Note 20b)	-	-
Changes in working capital:		
▪ inventories	2,214,128	(1,981,509)
▪ receivables and prepayments	1,511,066	910,155
▪ payables and accrued expenses	148,748	317,981
▪ provisions for liabilities and charges	58,416	35,915
Cashflows from operations	5,089,130	1,262,007

## Report &amp; Financial Statements

## NOTES (continued)

## 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	
	2024	2023	2024	2023
	KShs' 000	KShs' 000	KShs' 000	KShs' 000
<b>(i) Sale of goods and services</b>				
Subsidiary	17,437,415	17,155,119	17,437,415	17,155,119
Other related parties	5,122,907	9,191,575	5,122,907	9,191,575
	<b>22,560,322</b>	<b>26,346,694</b>	<b>22,560,322</b>	<b>26,346,694</b>
<b>(ii) Purchase of goods and services</b>				
Parent company	439,193	416,573	439,193	416,573
Other related parties	1,501,995	1,492,743	1,501,995	1,492,743
	<b>1,941,188</b>	<b>1,909,316</b>	<b>1,941,188</b>	<b>1,909,316</b>
<b>(iii) Outstanding balances arising from sale and purchase of goods/services</b>				
Receivables from other related parties	758,796	1,240,095	1,971,763	4,003,735
Payables to the parent company	-	58	-	58
Payables to other related parties	663,740	683,989	663,742	650,398
	<b>663,740</b>	<b>684,047</b>	<b>663,742</b>	<b>650,456</b>

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.

	2024	2023
	KShs' 000	KShs' 000
<b>(iv) Key management compensation</b>		
Salaries and other short-term employment benefits	101,796	78,211
Other long-term benefits	27,787	21,586
	<b>129,583</b>	<b>99,797</b>
<b>(v) Directors' remuneration</b>		
Fees for services as a director	27,627	25,128
Other emoluments (included in key management compensation above)	54,285	51,783
<b>Total remuneration of Directors of the Company</b>	<b>81,912</b>	<b>76,911</b>

## Report &amp; Financial Statements

## NOTES (continued)

**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 2,007,789,303 (2023: KShs 3,083,685,703), 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	
	2024	2023	2024	2023
	KShs' 000	KShs' 000	KShs' 000	KShs' 000
Property, plant and equipment	125,447	217,381	125,447	217,381

**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.



## Other Information

## PRINCIPAL SHAREHOLDERS AND SHARE DISTRIBUTION

### Major shareholders as at 20 February 2025

Shareholder	No. of shares	% shareholding
Molensteegh Invest Bv.	60,000,000	60%
Stanbic Nominees Ltd A/C NR1030824	3,841,700	3.84%
Standard Chartered Nominees Ltd Non Resd A/CKE11663	3,578,740	3.58%
Standard Chartered Nominees Non-Resd. A/C 9866	3,118,229	3.12%
Standard Chartered Kenya Nominees Ltd A/C KE003262	2,526,309	2.53%
Investments & Mortgages Nominees Ltd A/C 003746	1,020,000	1.02%
Investments & Mortgages Nominees Ltd A/C 003745	1,020,000	1.02%
Standard Chartered Bank Kenya Nominees Ltd A/C 063154300338	1,000,000	1.00%
Stanbic Nominees Limited R6631578	973,402	0.97%
ICEA Lion Life Assurance Company Limited-Pooled	872,841	0.87%
Others (6,061) shareholders	22,048,779	22.05%
<b>Total</b>	<b>100,000,000</b>	<b>100.00%</b>

### Summary of shareholders as at 20 February 2025

Shareholder	No. of shareholders	No. of shares	% shareholding
Foreign investors	141	77,134,807	77.14%
Local institutions	507	14,841,297	14.84%
Local individuals	5,423	8,023,896	8.02%
<b>Total</b>	<b>6,071</b>	<b>100,000,000</b>	<b>100.00%</b>

### Distribution of shareholders as at 20 February 2025

Shareholder	No. of shareholders	No. of shares	% shareholding
Less than 500	3,408	699,726	0.70
501 - 5,000	2,166	3,409,054	3.40
5,001- 10,000	188	1,374,243	1.40
10,001 - 100,000	259	7,026,384	7.00
100,001 - 1,000,000	43	12,385,615	12.40
Above 1,000,000	7	75,104,978	75.10
<b>TOTALS</b>	<b>6,071</b>	<b>100,000,000</b>	<b>100.00%</b>

### Directors' shareholding as at 20 February 2025

Director's Name	Shareholdings
Sidney Wafula	300















**HEAD OFFICE**

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