

BAT CORPORATE EVOLUTION : GHANA

INTERVIEW

1. What is the evolved corporate strategy ?

An evolved corporate strategy ideally drives the company to capture consumer moments with a sharper focus on delivering a step change in New Categories performance, fuelled by investment from the continued delivery of our combustible business. The evolved strategy also involves anticipating and satisfying changing consumer needs by providing pleasure, reducing risk, offering and increasing choice, and stimulating the senses of adult consumers. The result of which informed the change to the new corporate identity and the new 'ethos', which focuses on being bold, fast, empowered, responsible and diverse.

The corporate evolution supports our new corporate purpose, to build 'A Better Tomorrow' by reducing the health impact of our business through offering a greater choice of enjoyable and potentially less risky products to our consumers. This is important as it supports the business in building a better tomorrow for consumers, employees, shareholders and the society while aligning with our evolved sustainability agenda.



INTERVIEW WITH

FREDDY MESSANVI

GENERAL MANAGER, WEST & CENTRAL AFRICA MARKETS

2. What is your evolved corporate agenda and how will it impact the business?

Our new sustainability agenda takes into cognisance the environmental, social and governance (ESG) framework in the core objectives and operations of the business. The Group's ambition is to have 50 million consumers of non-combustible products by 2030 and to achieve carbon neutrality by 2030, while bringing forward our existing 2030 environmental targets to 2025. The global importance of this agenda is to drive value from our combustibles business and generate £1billion in efficiencies over the next three years through an extended simplification programme, in order to accelerate the revenue growth of our New Categories business. Our West and Central African Markets aims to play an active role in contributing to the attainment of the ESG agenda through proactive and innovative solutions.

3. Why is the corporate evolution critical to the business?

It is expected that the corporate evolution would ensure the attainment of the Group's three clear priorities, which are to drive value from combustibles, ensure a step change in New Categories performance and to simplify the business.

We have been in operation in at least 180 markets and countries since 1902 and have evolved into a leading consumer goods company in tobacco and tobacco products. Our heritage in West and Central Africa has been since 1912 and has laid the foundation of our success in the area. We believe that our organisation has stood the test of time as we have excelled in meeting the expectations of our consenting adult consumers, employees, shareholders, business partners, regulators and revenue generation for our host countries.

However, as trends and human lifestyle evolve globally, our consumers' desires and preferences are also evolving, providing opportunities for our Company's growth and relevance. While cigarettes will remain the core of our business in the immediate future, we aim to generate an increasingly greater proportion of our revenue from products other than cigarettes and thereby, potentially reduce the health impact of our business.

4. What is the desired outcome of the evolution of the business?

By leveraging on our strong foundation, our purpose is to create "A Better Tomorrow" for our consumers and key stakeholders. Our ambition is to transition our business from cigarettes to non-combustible products over time. To achieve our ambition, we need to continue to drive value from our combustibles and accelerate the growth of our New Category Products.

To support our ambition which was launched globally in March 2020, we have commenced our corporate rebranding in Ghana and other West and Central Africa Markets to reflect our evolved vision to create 'A Better Tomorrow' and the new BAT logo

5. What is the possible impact of the evolution on your people?

Our exceptionally employee-friendly workplace across our operations, as recognised and rewarded by the Top Employer Institute for the fourth consecutive year, is proof that we have built a solid workforce who are geared towards building 'A Better Tomorrow' for themselves and our stakeholders. The evolved corporate strategy presents opportunities to further nurture our people to be future-fit while embracing the changing business environment, even in spite of the complexities experienced due to the covid-19 pandemic. We continue to fashion innovative ways that ensures the workplace remains on track with training and mentoring programmes and other initiatives for employee development and growth. Through the digitally enabled workforce, we will continue to deliver virtual engagement programs that inspire collaboration and healthy interdependence across teams.

6. What has been the impact of COVID-19 on your business ?

The corona virus (COVID-19) outbreak has led to a major crisis worldwide with disruptions in commercial activities globally. Ghana's partial lockdowns, due to health concerns in the 2 biggest metropolis, disrupted supply chains and commercial activities.

For us, we prioritised health and safety and focused on continuously providing extensive communication on safety guidelines while encouraging the use of protective gears. We also embraced the extensive use of technology to promote remote working, in some locations, while being guided by government guidelines in the facilitation of commercial activities.

In Ghana, as more households adjust to the economic hardships of COVID 19, it is evident that, raising prices of excisable products may appear to help in government's efforts to curtail smoking, this action may increase the market share to illicit and counterfeit products. The fallout is that these illicit and counterfeit products pose more risks than the legal products, as they do not pass the regulatory standards. In the end, if the legal market shrinks, the

government bears the brunt of lost income from excise and the people could be exposed to substandard and hazardous products.

7. What is the current challenge affecting the tobacco industry in Ghana?

We acknowledge the health risks associated with the consumption of tobacco products; and as a responsible tobacco company, we believe that the manufacturing, marketing and consumption of tobacco products should be regulated with balanced and evidence-based tobacco control laws, which will not impose additional complexities to the tobacco industry.

In 2016, there was an excise increase from 150% - 175%, the highest in the West Africa area. Engagement with the Ghanaian government has shown that the government is willing to comply with the trade bloc recommendations, as long as it does not result in a loss of revenue. This is key in addressing the challenge of tax disparity between Ghana and other West African countries, which has led to a growth in illicit trade in Ghana.

Illicit trade is a major challenge within the tobacco industry as a majority of this trade comes as Duty Not Paid (DNP) and under declaration of goods at the port. Cross border trade from neighboring countries constitute a major part of illicit in which Ghana is the main DNP market.

As an effective method of reducing the incidence of illicit trade in tobacco in Ghana (currently estimated at approximately 25%), initiatives such as the Advanced Clearing System (where importers will be obliged to pay all the required duties for their products at the first point of entry) as well as the regulation of tobacco transit activities by way of a transit law (as is the case in Benin, Togo, Niger and Burkina Faso) will need to be given more attention and consideration.

Although Government has previously indicated consideration of these proposals, it will be of utmost importance to transform the intentions into actions now, as we anticipate that the opening of borders may come with undesirable consequences for the industry as far as illicit trade is concerned. Government will need to ensure that the accompanying control measures, enforcement and sanctions are duly applied on any suspected dealers, so the fight against illicit trade becomes more robust.