BRITISH AMERICAN TOBACCO p.l.c.

(incorporated with limited liability in England and Wales on 23 July 1997 under registered number 03407696)

€1,000,000,000 Perpetual Subordinated Fixed-to-Reset Rate Non-Call 5.25 Year Securities
€1,000,000,000 Perpetual Subordinated Fixed-to-Reset Rate Non-Call 8 Year Securities

Issue Price: 99.412 per cent. in respect of the NC5.25 Securities
99.154 per cent. in respect of the NC8 Securities

The €1,000,000,000 Perpetual Subordinated Fixed-to-Reset Rate Non-Call 5.25 Year Securities (the "**NC5.25 Securities**") and the €1,000,000,000 Perpetual Subordinated Fixed-to-Reset Rate Non-Call 8 Year Securities (the "**NC8 Securities**" and together with the NC5.25 Securities, the "**Securities**" and each, a "**Tranche**") will be issued on 27 September 2021 (the "**Issue Date**") by British American Tobacco p.l.c. (the "**Issuer**" or "**BAT**").

The NC5.25 Securities will bear interest from (and including) the Issue Date to (but excluding) 27 December 2026 (the "**NC5.25 Securities First Reset Date**") at a rate of 3.000 per cent. per annum payable annually in arrear on 27 December in each year. The first payment of interest, to be made on 27 December 2021, will be in respect of the period from (and including) the Issue Date to (but excluding) 27 December 2021 and will amount to €7.48 per €1,000 in principal amount of the NC5.25 Securities. Thereafter, unless previously redeemed, the NC5.25 Securities will bear interest from (and including) the NC5.25 Securities First Reset Date to (but excluding) 27 December 2031 at a rate per annum which shall be the equivalent of 3.372 per cent. above the 5-year Swap Rate (as defined in the Terms and Conditions of the NC5.25 Securities, the "**NC5.25 Conditions**") for the Reset Period payable annually in arrear on 27 December in each year. From (and including) 27 December 2031 to (but excluding) 27 December 2046, the NC5.25 Securities will bear interest at a rate per annum which shall be the equivalent of 3.622 per cent. above the 5-year Swap Rate for the relevant Reset Period payable annually in arrear on 27 December in each year. From (and including) 27 December 2046, the NC5.25 Securities will bear interest at a rate per annum which shall be the equivalent of 4.372 per cent. above the 5-year Swap Rate for the relevant Reset Period payable annually in arrear on 27 December in each year. All as more particularly described in "*Terms and Conditions of the NC5.25 Securities — Interest Payments*".

The NC8 Securities will bear interest from (and including) the Issue Date to (but excluding) 27 September 2029 (the "**NC8 Securities First Reset Date**") at a rate of 3.750 per cent. per annum payable annually in arrear on 27 September in each year. Thereafter, unless previously redeemed, the NC8 Securities will bear interest from (and including) the NC8 Securities First Reset Date to (but excluding) 27 September 2034 at a rate per annum which shall be the equivalent of 3.952 per cent. above the 5-year Swap Rate for the Reset Period payable annually in arrear on 27 September in each year. From (and including) 27 September 2034 to (but excluding) 27 September 2049 the NC8 Securities will bear interest at a rate per annum which shall be the equivalent of 4.202 per cent. above the 5-year Swap Rate (as defined in the Terms and Conditions of the NC8 Securities, the "**NC8 Conditions**") and together with the NC5.25 Conditions, the "**Conditions**") for the relevant Reset Period payable annually in arrear on 27 September in each year. From (and including) 27 September 2049, the NC8 Securities will bear interest at a rate per annum which shall be the equivalent of 4.952 per cent. above the 5-year Swap Rate for the relevant Reset Period payable annually in arrear on 27 September in each year. All as more particularly described in "*Terms and Conditions of the NC8 Securities — Interest Payments*".

The Issuer may, at its discretion, elect to defer all or part of any Interest Payment (all or part of any such deferred Interest Payment, a "**Deferred Interest Payment**") which is otherwise scheduled to be paid on an Interest Payment Date by giving notice (a "**Deferral Notice**") of such election to the Holders. Subject as described in "*Mandatory payment of Deferred Interest*", if the Issuer elects not to make all of part of any Interest Payment on an Interest Payment Date, then it will not have any obligation to pay such interest on the relevant Interest Payment Date and any such non-payment of interest will not constitute a default or any other breach of the Issuer's obligations under the Securities or for any other purpose. Any Deferred Interest Payment (or part thereof) shall itself bear interest (such further interest, together with the Deferred Interest Payment, being "**Deferred Interest**"), at the Interest Rate prevailing from time to time, from (and including) the date on which (but for such deferral) the relevant Deferred Interest Payment would otherwise have been due to be made to (but excluding) the relevant Deferred Interest Settlement Date (as defined in the relevant Conditions) or, as appropriate, such other date on which such Deferred Interest Payment is paid in accordance with the relevant Condition 5(c), in each case such further interest being compounded on each Interest Payment Date. Non-payment of Deferred Interest shall not constitute a default by the Issuer under the Securities or for any other purpose, unless such payment is required in accordance with the relevant Condition 5(c). See "*Terms and Conditions of the NC5.25 Securities — Optional Interest Deferral" and "Terms and Conditions of the NC8 Securities — Optional Interest Deferral*", respectively.

On any Optional Redemption Date or upon the occurrence of a Rating Capital Event, an Accounting Event, a Tax Deductibility Event, a Substantial Repurchase Event or a Withholding Tax Event (each such term as defined in the relevant Conditions), and subject to the relevant provisions of the relevant Conditions 6 and 8, the Issuer shall have the option to redeem, in whole but not in part, the Securities of the relevant Tranche at (i) in the case of any redemption on an Optional Redemption Date or following a Substantial Repurchase Event, 100 per cent. of their principal amount, together with any accrued and unpaid interest up to (but excluding) the redemption date (including any accrued but unpaid Deferred Interest) or (ii) in the case of any redemption following a Tax Deductibility Event, a Withholding Tax Event, a Rating Capital Event or an Accounting Event, their Early Redemption Amount (as defined in the relevant Conditions), in each case as more particularly described in *"Terms and Conditions of the NC5.25 Securities — Redemption"* and *"Terms and Conditions of the NC8 Securities — Redemption"*.

The Issuer may, upon the occurrence of a Rating Capital Event, an Accounting Event, a Tax Deductibility Event or a Withholding Tax Event, and subject to the provisions of the relevant Conditions 7 and 8, at any time, without the consent of the relevant Holders or Couponholders, either (i) substitute all, but not some only, of the Securities of the relevant Tranche for, or (ii) vary the terms of the Securities of the relevant Tranche with the effect that the Securities of such Tranche remain or become, as the case may be, Qualifying Securities, as more particularly described in "*Terms and Conditions of the NC5.25 Securities — Substitution or Variation"* and "*Terms and Conditions of the NC8 Securities — Substitution or Variation"*.

The Securities and Coupons constitute direct, unsecured and subordinated obligations of the Issuer and rank *pari passu* and without any preference or priority among themselves and *pari passu* with any Parity Obligations, all as more particularly described in "*Terms and Conditions of the NC5.25 Securities — Status of the Securities and the Coupons*", "*Terms and Conditions of the NC5.25 Securities — Subordination of the Securities and the Coupons*", "*Terms and Conditions of the NC8 Securities — Status of the Securities and the Coupons*", "*Terms and Conditions of the NC8 Securities — Subordination of the Securities and the Coupons*".

Payments in respect of the Securities of each Tranche shall be made free and clear of, and without withholding or deduction for or on account of, taxes of the United Kingdom, unless such withholding or deduction is required by law. In the event that any such withholding or deduction is made, the Issuer shall pay additional amounts, subject to certain exceptions as are more fully described in "*Terms and Conditions of the NC5.25 Securities — Taxation*" and "*Terms and Conditions of the NC8 Securities — Taxation*".

Applications will be made to the Financial Conduct Authority (the "**FCA**") for the Securities of each Tranche to be admitted to the official list of the FCA (the "**Official List**") and to the London Stock Exchange plc (the "**London Stock Exchange**") for the Securities of each Tranche to be admitted to trading on the London Stock Exchange's main market (the "**Market**"). References in this prospectus (the "**Prospectus**") to the Securities of a Tranche being "**listed**" (and all related references) shall mean that the Securities of such Tranche have been admitted to the Official List and have been admitted to trading on the Market. The Market is a regulated market for the purposes of Article 2(1)(13A) of Regulation (EU) No 600/2014 on markets in financial instruments as it forms part of domestic law by virtue of the European Union (Withdrawal) Act 2018 ("**EUWA**") ("**UK MiFIR**").

This Prospectus has been approved by the FCA, as competent authority under Regulation (EU) 2017/1129 as it forms part of domestic law by virtue of the EUWA (the "**UK Prospectus Regulation**"). The FCA only approves this Prospectus as meeting the standards of completeness, comprehensibility and consistency imposed by the UK Prospectus Regulation; such approval should not be considered as (a) an endorsement of the Issuer; or (b) an endorsement of the quality of the Securities that are the subject of this Prospectus. Investors should make their own assessment as to the suitability of investing in the Securities.

The Securities of each Tranche will initially be represented by a temporary global security (in respect of each, a "**Temporary Global Security**" and, together with the Temporary Global Security in respect of the other Tranche, the "**Temporary Global Securities**"), without interest coupons or talons attached, which will be deposited with a common depositary on behalf of Euroclear Bank SA/NV ("**Euroclear**") and Clearstream Banking S.A. ("**Clearstream, Luxembourg**") on or about the Issue Date. Each Temporary Global Security will be exchangeable for interests in a permanent global security (in respect of each, a "**Permanent Global Security**" and, together with the Permanent Global Security in respect of the other Tranche, the "**Permanent Global Securities**" and, together with the Temporary Global Securities, the "**Global Securities**"), without interest coupons or talons attached, on or after a date which is expected to be 7 November 2021, upon certification as to non-U.S. beneficial ownership. Each Permanent Global Security will be exchangeable for Definitive Securities (as defined in "*Summary of Provisions relating to the Securities while in Global Form*" below) in bearer form in the denominations of €100,000 and integral multiples of €1,000 in excess thereof up to, and including, €199,000, in each case in the limited circumstances set out in it. No Definitive Securities will be issued with a denomination above €199,000. See "*Summary of Provisions relating to the Securities while in Global Form*".

Each Tranche is expected to be rated BBB- by S&P Global Ratings Europe Limited ("**S&P**") and Ba1 by Moody's Investors Service Limited ("**Moody's**" and, together with S&P, the "**Rating Agencies**"). A rating is not a recommendation to buy, sell or hold securities and may be subject to revision, suspension or withdrawal at any time by the assigning rating organisation. As of the date of this Prospectus, S&P is not established in the United Kingdom ("**UK**") but the rating it is expected to give to each Tranche will be endorsed by S&P Global Ratings UK Limited, which is established in the UK and registered under Regulation (EC) No 1060/2009 as it forms part of domestic law by virtue of EUWA (the "**UK CRA Regulation**") and Moody's is a credit rating agency established in the UK and registered under the UK CRA Regulation. In general, European and UK regulated investors are restricted from using a credit rating for regulatory purposes if such credit rating is not issued by a rating agency established in the European Union or the UK and registered under Regulation (EC) No 1060/2009 (as amended) or the UK CRA Regulation, respectively.

Prospective investors should have regard to the factors described under the section headed "*Risk Factors*" in this Prospectus.

JOINT STRUCTURING AGENTS & GLOBAL COORDINATORS

BofA Securities **Deutsche Bank**

ACTIVE JOINT LEAD MANAGERS

BofA Securities **Citigroup**

Deutsche Bank **Santander Corporate & Investment Banking**

PASSIVE JOINT LEAD MANAGERS

Barclays **Commerzbank** **HSBC**

Standard Chartered Bank **UniCredit**

CO-MANAGERS

Lloyds Bank Corporate Markets **Mizuho Securities**

SMBC Nikko

The date of this Prospectus is 24 September 2021

This Prospectus comprises a prospectus for the purposes of the UK Prospectus Regulation. The Issuer accepts responsibility for the information contained in this Prospectus. To the best of the knowledge of the Issuer, the information contained in this Prospectus is in accordance with the facts and this Prospectus makes no omission likely to affect its import.

This Prospectus is to be read in conjunction with all the documents which are incorporated herein by reference (see "*Documents Incorporated by Reference*"). Other than in relation to the documents which are deemed to be incorporated by reference (see "*Documents Incorporated by Reference*"), the information on the websites to which this Prospectus refers does not form part of this Prospectus and has not been scrutinised or approved by the FCA.

No person has been authorised to give any information or to make any representation other than as contained in this Prospectus in connection with the offer, issue or sale of the Securities and, if given or made, any such information or representation must not be relied upon as having been authorised by either the Issuer or the Managers (as defined in "*Subscription and Sale*").

Neither the delivery of this Prospectus nor the offering, sale or delivery of any Security shall, under any circumstances, create any implication that the information contained in this Prospectus is true subsequent to the date hereof, or that there has been no change (or any event reasonably likely to involve a change) in the affairs of the Issuer since the date hereof or the date upon which this Prospectus has been most recently amended or supplemented, or that there has been no adverse change (or any event reasonably likely to involve any adverse change) in the financial position of the Issuer since the date hereof or the date upon which this Prospectus has been most recently amended or supplemented or that any other information supplied in connection with the Securities is correct as of any time subsequent to the date on which it is supplied or, if different, the date indicated in the document containing the same.

The distribution of this Prospectus and the offering, distribution or sale of the Securities in certain jurisdictions may be restricted by law. Persons into whose possession this Prospectus comes are required by the Issuer and the Managers to inform themselves about and to observe any such restriction.

The Securities have not been and will not be registered under the U.S. Securities Act of 1933, as amended (the "**Securities Act**") and will be in bearer form and subject to U.S. tax law requirements. Subject to certain exceptions, Securities may not be offered, sold or delivered within the United States or to, or for the account or benefit of, U.S. persons (as defined in Regulation S under the Securities Act ("**Regulation S**")). For a description of certain restrictions on offers and sales of Securities and on distribution of this Prospectus, see "*Subscription and Sale*".

Singapore SFA Product Classification – In connection with Section 309B of the Securities and Futures Act (Chapter 289) of Singapore (the "**SFA**") and the Securities and Futures (Capital Markets Products) Regulations 2018 of Singapore (the "**CMP Regulations 2018**"), the Issuer has determined, and hereby notifies all relevant persons (as defined in Section 309A(1) of the SFA), that the Securities are "prescribed capital markets products" (as defined in the CMP Regulations 2018) and "Excluded Investment Products" (as defined in MAS Notice SFA 04-N12: Notice on the Sale of Investment Products and MAS Notice FAA-N16: Notice on Recommendations on Investment Products).

This Prospectus does not constitute an offer of, or an invitation by or on behalf of the Issuer or the Managers to subscribe for, or purchase, any Securities.

None of the Managers and the Trustee or any of their respective affiliates makes any representation or warranty, express or implied, or accepts any responsibility, with respect to the accuracy or completeness of any of the information in this Prospectus. Neither this Prospectus nor any other financial statement is intended to provide the basis of any credit or other evaluation and should not be considered as a recommendation by the Issuer, the

Trustee or the Managers that any recipient of this Prospectus or any other financial statements should purchase the Securities. Each potential purchaser of Securities should determine for itself the relevance of the information contained in this Prospectus and its purchase of Securities should be based upon such investigation as it deems necessary. None of the Managers or the Trustee undertakes to review the financial condition or affairs of the Issuer during the life of the Securities or to advise any investor or potential investor in the Securities of any information coming to the attention of any of the Managers or the Trustee.

The Securities may not be a suitable investment for all investors. Each potential investor in the Securities must determine the suitability of that investment in light of its own circumstances. In particular, each potential investor should:

(a) have sufficient knowledge and experience to make a meaningful evaluation of the Securities, the merits and risks of investing in the Securities and the information contained or incorporated by reference in this Prospectus or any applicable supplement;

(b) have access to, and knowledge of, appropriate analytical tools to evaluate, in the context of its particular financial situation, an investment in the Securities and the impact the Securities will have on its overall investment portfolio;

(c) have sufficient financial resources and liquidity to bear all of the risks of an investment in the Securities, including where euro is different from the potential investor's currency;

(d) understand thoroughly the terms of the Securities and be familiar with the behaviour of any relevant indices and financial markets; and

(e) be able to evaluate (either alone or with the help of a financial adviser) possible scenarios for economic, interest rate and other factors that may affect its investment and its ability to bear the applicable risks.

The Securities are complex financial instruments and such instruments would generally be purchased by investors as a way to reduce risk or enhance yield with an understood, measured and appropriate addition of risk to their overall portfolios. A potential investor should not invest in the Securities unless it has the expertise (either alone or with the help of a financial adviser) to evaluate how the Securities would generally perform under changing conditions, the resulting effects on the value of such Securities and the impact that this investment will have on the potential investor's overall investment portfolio.

Prospective investors should also consult their own tax advisers as to the tax consequences of the purchase, ownership and disposition of the Securities.

The credit ratings assigned to the Securities may not reflect the potential impact of all risks related to structure, market, additional factors discussed above, and other factors that may affect the value of the Securities. A credit rating is not a recommendation to buy, sell or hold Securities and may be revised or withdrawn by the rating agency at any time.

The investment activities of certain investors are subject to legal investment laws and regulations, or review or regulation by certain authorities. Each potential investor should consult its legal advisers to determine whether and to what extent (1) the Securities are legal investments for it, (2) the Securities can be used as collateral for various types of borrowing and (3) other restrictions apply to its purchase or pledge of any of the Securities. Financial institutions should consult their legal advisers or the appropriate regulators to determine the appropriate treatment of Securities under any applicable risk-based capital or similar rules.

Unless otherwise specified or the context requires, references to: "**Group**" are to the Issuer and its subsidiaries taken as a whole; "**EUR**", "**€**" or "**euro**" are to the currency introduced at the start of the third stage of the European economic and monetary union pursuant to the Treaty on the Functioning of the European Union, as amended from time to time; "**Japanese Yen**", "**Yen**" or "**¥**" are to the lawful currency of Japan; "**Sterling**" or

"**£**" are to the lawful currency of the United Kingdom; "**US$**" or "**US dollars**" are to be lawful currency of the United States of America; "**CAD$**" are to the lawful currency of Canada; "**ARS**" are to the lawful currency of Argentina; "**BRL**" are to the lawful currency of Brazil; "**AOA**" are to the lawful currency of Angola; "**NGN**" are to the lawful currency of Nigeria; "**KRW**" are to the lawful currency of South Korea; "**HRK**" are to the lawful currency of Croatia; "**QAR**" are to the lawful currency of Qatar; and "**SAR**" refer to the lawful currency of Saudi Arabia.

IN CONNECTION WITH THE ISSUE OF EACH TRANCHE, DEUTSCHE BANK AG, LONDON BRANCH (THE "**STABILISATION MANAGER**") (OR ANY PERSON ACTING ON BEHALF OF THE STABILISATION MANAGER) MAY OVER-ALLOT THE RELEVANT SECURITIES OR EFFECT TRANSACTIONS WITH A VIEW TO SUPPORTING THE MARKET PRICE OF THE RELEVANT SECURITIES AT A LEVEL HIGHER THAN THAT WHICH MIGHT OTHERWISE PREVAIL. HOWEVER, STABILISATION MAY NOT NECESSARILY OCCUR. ANY STABILISATION ACTION MAY BEGIN ON OR AFTER THE DATE ON WHICH ADEQUATE PUBLIC DISCLOSURE OF THE TERMS OF THE OFFER OF THE RELEVANT SECURITIES IS MADE AND, IF BEGUN, MAY CEASE AT ANY TIME, BUT IT MUST END NO LATER THAN THE EARLIER OF 30 DAYS AFTER THE ISSUE DATE OF THE RELEVANT SECURITIES AND 60 DAYS AFTER THE DATE OF THE ALLOTMENT OF THE RELEVANT SECURITIES. ANY STABILISATION ACTION OR OVER-ALLOTMENT MUST BE CONDUCTED BY THE STABILISATION MANAGER (OR ANY PERSON ACTING ON BEHALF OF THE STABILISATION MANAGER) IN ACCORDANCE WITH ALL APPLICABLE LAWS AND RULES.

MiFID II product governance/Professional investors and eligible counterparties only target market – Solely for the purposes of each manufacturer's product approval process, the target market assessment in respect of the Securities has led to the conclusion that: (i) the target market for the Securities is eligible counterparties and professional clients only, each as defined in Directive 2014/65/EU of the European Parliament and of the Council on markets in financial instruments (as amended, "**MiFID II**"); and (ii) all channels for distribution of the Securities to eligible counterparties and professional clients are appropriate. Any person subsequently offering, selling or recommending the Securities (a "**distributor**") should take into consideration the manufacturers' target market assessment; however, a distributor subject to MiFID II is responsible for undertaking its own target market assessment in respect of the Securities (by either adopting or refining the manufacturers' target market assessment) and determining appropriate distribution channels.

UK MiFIR product governance/Professional investors and eligible counterparties only target market – Solely for the purposes of each manufacturer's product approval process, the target market assessment in respect of the Securities has led to the conclusion that: (i) the target market for the Securities is only eligible counterparties, as defined in the FCA Handbook Conduct of Business Sourcebook ("**COBS**"), and professional clients, as defined in UK MiFIR; and (ii) all channels for distribution of the Securities to eligible counterparties and professional clients are appropriate. Any distributor should take into consideration the manufacturers' target market assessment; however, a distributor subject to the FCA Handbook Product Intervention and Product Governance Sourcebook (the "**UK MiFIR Product Governance Rules**") is responsible for undertaking its own target market assessment in respect of the Securities (by either adopting or refining the manufacturers' target market assessment) and determining appropriate distribution channels.

PRIIPs Regulation / Prohibition of sales to EEA retail investors – The Securities are not intended to be offered, sold or otherwise made available to and should not be offered, sold or otherwise made available to any retail investor in the European Economic Area ("**EEA**"). For these purposes, a retail investor means a person who is one (or more) of: (i) a retail client as defined in point (11) of Article 4(1) of MiFID II; or (ii) a customer within the meaning of Directive (EU) 2016/97 (the "**Insurance Distribution Directive**"), where that customer would not qualify as a professional client as defined in point (10) of Article 4(1) of MiFID II.

Consequently, no key information document required by Regulation (EU) No 1286/2014 (as amended, the "**PRIIPs Regulation**") for offering or selling the Securities or otherwise making them available to retail investors in the EEA has been prepared and therefore offering or selling the Securities or otherwise making them available to any retail investor in the EEA may be unlawful under the PRIIPs Regulation.

UK PRIIPs Regulation / Prohibition of sales to UK retail investors – The Securities are not intended to be offered, sold or otherwise made available to and should not be offered, sold or otherwise made available to any retail investor in the UK. For these purposes, a retail investor means a person who is one (or more) of: (i) a retail client as defined in point (8) of Article 2 of Regulation (EU) No 2017/565 as it forms part of domestic law by virtue of the EUWA; or (ii) a customer within the meaning of the provisions of the FSMA and any rules or regulations made under the FSMA to implement the Insurance Distribution Directive, where that customer would not qualify as a professional client, as defined in point (8) of Article 2(1) of UK MiFIR.

Consequently, no key information document required by Regulation (EU) No 1286/2014 as it forms part of domestic law by virtue of the EUWA (the "**UK PRIIPs Regulation**") for offering or selling the Securities or otherwise making them available to retail investors in the UK has been prepared and therefore offering or selling the Securities or otherwise making them available to any retail investor in the UK may be unlawful under the UK PRIIPs Regulation.

Amounts payable under the Securities are calculated by reference to the mid-swap rate for euro swaps with a term of five years which appears on the Reuters screen "ICESWAP2" as of 11:00 a.m. (Frankfurt time) on the relevant Reset Interest Determination Date (as defined in the relevant Conditions) which is provided by ICE Benchmark Administration Limited or by reference to EURIBOR, which is provided by the European Money Markets Institute. As at the date of this Prospectus, ICE Benchmark Administration Limited appears on the register of administrators and benchmarks established and maintained by the FCA pursuant to Article 36 of the Benchmarks Regulation (EU) No. 2016/1011 as it forms part of domestic law by virtue of the EUWA (the "**UK Benchmarks Regulation**"). As far as the Issuer is aware, the transitional provisions in Article 51 of the UK Benchmarks Regulation apply, such that the European Money Markets Institute is not currently required to obtain authorisation or registration (or, if located outside the UK, recognition, endorsement or equivalence).

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DOCUMENTS INCORPORATED BY REFERENCE

This Prospectus should be read and construed in conjunction with:

(i) the published consolidated audited annual financial information as at and for the year ended 31 December 2019, together with the audit report thereon, for BAT contained on pages 115 to 236 of the BAT Annual Report 2019 and Form 20-F 2019 (https://www.bat.com/group/sites/UK__9D9KCY.nsf/vwPagesWebLive/DOAWWGJT/$file/BAT_Annual_Report_and_Form_20-F_2019.pdf);

(ii) the published consolidated audited annual financial information as at and for the year ended 31 December 2020, together with the audit report thereon, for BAT contained on pages 141 to 253 of the BAT Annual Report 2020 and Form 20-F 2020 (https://www.bat.com/group/sites/UK__9D9KCY.nsf/vwPagesWebLive/DOAWWGJT/$file/BAT_Annual_Report_and_Form_20-F_2020.pdf);

(iii) the paragraphs under the heading "Non-Financial KPIs" on pages 274 to 275 of the BAT Annual Report 2020 and Form 20-F 2020;

(iv) the paragraphs under the heading "Non-GAAP Measures" on pages 276 to 284 of the BAT Annual Report 2020 and Form 20-F 2020; and

(v) the published unaudited condensed consolidated half-yearly financial results as at and for the six months ended 30 June 2021, together with the review report thereon, for BAT contained on page 3, pages 14 to 21 and pages 23 to 61 of the BAT Half-Yearly Report 2021 (https://www.bat.com/group/sites/UK__9D9KCY.nsf/vwPagesWebLive/DOC5BQ6D/$file/HY_2021_Announcement.pdf),

each of these documents have been previously published or are published simultaneously with this Prospectus and have been approved by the FCA or filed with it. Such information shall be incorporated in, and form part of, this Prospectus save that any statement contained in this Prospectus or in any information incorporated by reference in, and forming part of, this Prospectus shall be modified or superseded for the purpose of this Prospectus to the extent that a statement contained in any information subsequently incorporated by reference herein by way of a supplement prepared in accordance with the UK Prospectus Regulation modifies or supersedes such statement (whether expressly, by implication or otherwise). For the avoidance of doubt, information, documents or statements to be incorporated by reference into, or expressed to form part of, the information referred to in (i) to (v) above do not form part of this Prospectus.

Any non-incorporated parts of a document referred to above do not form part of this Prospectus as they are either not relevant for investors or covered elsewhere in this Prospectus.

OVERVIEW

The following overview refers to certain provisions of the Terms and Conditions of the NC5.25 Securities and the Terms and Conditions of the NC8 Securities and is qualified in its entirety by the remainder of this Prospectus. Capitalised terms used herein have the meaning given to them in "Terms and Conditions of the NC5.25 Securities" or, "Terms and Conditions of the NC8 Securities", as the case may be.

Issuer:	British American Tobacco p.l.c.
Trustee:	The Law Debenture Trust Corporation p.l.c.
Principal Paying Agent:	Citibank, N.A., London Branch
Issue Size:	€1,000,000,000 of the NC5.25 Securities and €1,000,000,000 of the NC8 Securities
Issue Date:	27 September 2021
Interest:	The NC5.25 Securities will bear interest on their principal amount from (and including) the Issue Date. Subject as described in "*Optional Interest Deferral*", interest shall be payable on the Securities annually in arrear on 27 December in each year (each an "**Interest Payment Date**"), except that the first payment of interest, to be made on 27 December 2021, will be in respect of the period from (and including) the Issue Date to (but excluding) 27 December 2021. The NC5.25 Securities will bear interest: (i) from (and including) the Issue Date to (but excluding) 27 December 2026 (the "**NC5.25 Securities First Reset Date**") at a rate of 3.000 per cent. per annum payable annually in arrear on 27 December in each year. The first payment of interest, to be made on 27 December 2021, will be in respect of the period from (and including) the Issue Date to (but excluding) 27 December 2021 and will amount to €7.48 per €1,000 in principal amount of the NC5.25 Securities; (ii) thereafter, unless previously redeemed, the NC5.25 Securities will bear interest from (and including) the NC5.25 Securities First Reset Date to (but excluding) 27 December 2031 at a rate per annum which shall be the equivalent of 3.372 per cent. above the 5-year Swap Rate for the Reset Period payable annually in arrear on 27 December in each year; (iii) from (and including) 27 December 2031 to (but excluding) 27 December 2046, the NC5.25 Securities will bear interest at a rate per annum which shall be the equivalent of 3.622 per cent. above the 5-year Swap Rate for the relevant Reset

Period payable annually in arrear on 27 December in each year; and

(iv) from (and including) 27 December 2046, the NC5.25 Securities will bear interest at a rate per annum which shall be the equivalent of 4.372 per cent. above the 5-year Swap Rate for the relevant Reset Period payable annually in arrear on 27 December in each year.

The NC8 Securities will bear interest from (and including) the Issue Date. Subject as described in "*Optional Interest Deferral*", interest shall be payable on the Securities annually in arrear on 27 September in each year (each an "**Interest Payment Date**").

The NC8 Securities will bear interest:

(i) from (and including) the Issue Date to (but excluding) 27 September 2029 (the "**NC8 Securities First Reset Date**") at a rate of 3.750 per cent. per annum payable annually in arrear on 27 September in each year;

(ii) thereafter, unless previously redeemed, the NC8 Securities will bear interest from (and including) the NC8 Securities First Reset Date to (but excluding) 27 September 2034 at a rate per annum which shall be the equivalent of 3.952 per cent. above the 5-year Swap Rate (the "**Reset Period**") for the relevant Reset Period payable annually in arrear on 27 September in each year;

(iii) from (and including) 27 September 2034 to (but excluding) 27 September 2049, the NC8 Securities will bear interest at a rate per annum which shall be the equivalent of 4.202 per cent. above the 5-year Swap Rate for the relevant Reset Period payable annually in arrear on 27 September in each year; and

(iv) from (and including) 27 September 2049, the NC8 Securities will bear interest at a rate per annum which shall be the equivalent of 4.952 per cent. above the 5-year Swap Rate for the relevant Reset Period payable annually in arrear on 27 September in each year.

All as more particularly described in "*Terms and Conditions of the NC5.25 Securities — Interest Payments*" and "*Terms and Conditions of the NC8 Securities — Interest Payments*".

Status of the Securities and the Coupons:

The Securities and Coupons constitute direct, unsecured and subordinated obligations of the Issuer and rank *pari passu* and without any preference or priority among themselves and *pari*

	passu with any Parity Obligations (as defined in the relevant Conditions).
Subordination of the Securities and the Coupons:	The rights and claims of the Holders and the Couponholders (both as defined in the relevant Conditions) will be subordinated to the claims of Holders of all Senior Obligations (as defined in the relevant Conditions) in that if at any time an order being made, or an effective resolution being passed, for the winding-up of the Issuer (except in any such case, a solvent winding-up solely for the purposes of a reorganisation, reconstruction, or amalgamation or the substitution in place of the Issuer of a "successor in business" (as defined in the relevant Condition 22) of the Issuer or a relevant substitution effected in accordance with the relevant Condition 14) or an administrator of the Issuer being appointed and such administrator giving notice that it intends to declare and distribute a dividend, the rights and claims of the Holders and the Couponholders will be subordinated in accordance with the relevant Condition 3(a) thereof. Accordingly, the claims of Holders of all Senior Obligations will first have to be satisfied in any winding-up or analogous proceedings of the Issuer before the Holders or Couponholders may expect to obtain from the Issuer any recovery in respect of their Securities or matured but unpaid Coupons (including any accepted but unpaid Deferred Interest in respect of such Coupons), as the case may be, and prior thereto any Holder or Couponholder will have only limited ability to influence the conduct of such winding-up or analogous proceedings. See "*Risk Factors – Risks related to the Securities generally – Limited Remedies*".
Optional Interest Deferral:	The Issuer may, at its discretion, elect to defer all or part of any Interest Payment (any such deferred Interest Payment, a "**Deferred Interest Payment**") which is otherwise scheduled to be paid on an Interest Payment Date by giving notice (a "**Deferral Notice**") of such election to the Holders. Subject as described in "*Mandatory payment of Deferred Interest*", if the Issuer elects not to make all or part of any Interest Payment on an Interest Payment Date, then it will not have any obligation to pay such interest on the relevant Interest Payment Date and any such non-payment of interest will not constitute a default or any other breach of its obligations under the Securities or for any other purpose. Any Deferred Interest Payment shall itself bear interest (such further interest, together with the Deferred Interest Payment, being "**Deferred Interest**"), at the Interest Rate prevailing from time to time, from (and including) the date on which (but for such deferral) the relevant Deferred Interest Payment would otherwise have been due to be made to (but excluding) the relevant Deferred Interest Settlement Date (as defined below) or, as

	appropriate, such other date on which such Deferred Interest Payment is paid in accordance with the relevant Condition 5(c), in each case such further interest being compounded on each Interest Payment Date. Non-payment of Deferred Interest (or part thereof) shall not constitute a default by the Issuer under the Securities or for any other purpose, unless such payment is required in accordance with the relevant Condition 5(c).
Optional payment of Deferred Interest:	Deferred Interest may be satisfied at the option of the Issuer in whole or in part at any time (the "**Deferred Interest Settlement Date**") following delivery of a notice to such effect given by the Issuer to the Holders informing them of its election to so settle such Deferred Interest (or part thereof) and specifying the relevant Deferred Interest Settlement Date.
Mandatory payment of Deferred Interest:	The Issuer shall pay any accrued but unpaid Deferred Interest, in whole but not in part, on the first occurring Mandatory Settlement Date following the Interest Payment Date on which a Deferred Interest Payment first arose.
Optional Redemption:	The Issuer may redeem all, but not some only, of the Securities on any Optional Redemption Date at 100 per cent. of their principal amount together with any accrued and unpaid interest up to (but excluding) the redemption date (including any accrued but unpaid Deferred Interest).
Special Event Redemption:	Upon the occurrence of a Rating Capital Event, an Accounting Event, a Tax Deductibility Event, a Withholding Tax Event, or a Substantial Repurchase Event and subject to the relevant provisions of the relevant Conditions 6 and 8, the Issuer shall have the option to redeem, in whole but not in part, the Securities of the relevant Tranche at (i) in the case of a Substantial Repurchase Event, 100 per cent. of their principal amount, together with any accrued and unpaid interest up to (but excluding) the redemption date, including any accrued but unpaid Deferred Interest or (ii) in the case of a Rating Capital Event, an Accounting Event, a Tax Deductibility Event or a Withholding Tax Event, their Early Redemption Amount, as applicable.
Substitution or Variation:	The Issuer may, upon the occurrence of a Rating Capital Event, an Accounting Event, a Tax Deductibility Event or a Withholding Tax Event, and subject to the provisions of the relevant Conditions 7 and 8, at any time, without the consent of the relevant Holders or Couponholders, either (i) substitute all, but not some only, of the Securities of the relevant Tranche for, or (ii) vary the terms of the Securities of the relevant Tranche with the effect that the Securities of such Tranche remain or become, as the case may be, Qualifying Securities.

Event of Default: If a default is made by the Issuer for a period of 14 days or more in the payment of any principal or for a period of 21 days or more in the payment of any interest (including any Deferred Interest), in each case in respect of any Security of such Tranche, which is due and payable, then the Issuer shall without notice from the Trustee be deemed to be in default under the Trust Deed, the relevant Securities and the relevant Coupons and the Trustee at its sole discretion may (subject to the relevant Condition 11(c)), and if so requested by the Holders of at least one-quarter in principal amount of such Tranche then outstanding or if so directed by an Extraordinary Resolution shall, institute actions, steps or proceedings for the winding-up of the Issuer and/or prove in the winding-up or administration of the Issuer and/or claim in the liquidation or administration of the Issuer for such payment, such claim being as contemplated in the relevant Condition 3(a).

Additional Amounts: Payments by or on behalf of the Issuer in respect of the Securities and the Coupons will be made free and clear of, and without withholding or deduction for or on account of, taxes of the United Kingdom, unless such withholding or deduction is required by law. In the event that any such withholding or deduction is made, additional amounts may be payable by the Issuer, subject to certain exceptions as are more fully described under "*Terms and Conditions of the NC5.25 Securities — Taxation*" and "*Terms and Conditions of the NC8 Securities — Taxation*".

Replacement Intention: In relation to each Tranche, the Issuer intends (without thereby assuming a legal obligation), that if it redeems the Securities pursuant to the relevant Condition 6(b) or the Issuer or any of its Subsidiaries repurchases the Securities of a Tranche, they will so redeem or repurchase the Securities of such relevant Tranche only to the extent the aggregate principal amount of the Securities of such Tranche to be redeemed or repurchased does not exceed such part of the net proceeds received by the Issuer or any of its Subsidiaries from the sale or issuance by the Issuer or such Subsidiary to third party purchasers (other than group entities of the Issuer) of securities which are assigned by S&P Global Ratings Europe Limited ("**S&P**"), an aggregate "equity credit" (or such similar nomenclature used by S&P from time to time) that is equal to or greater than the "equity credit" assigned to the relevant Tranche at the time of their issuance (but taking into account any changes in hybrid capital methodology or the interpretation thereof since the issuance of the relevant Tranche), unless:

(i) the rating (or such similar nomenclature then used by S&P) assigned by S&P to the Issuer is at least equal to the rating assigned by S&P to the Issuer on the date of the last

issuance of additional Hybrid Securities (excluding refinancings) and the Issuer is of the view that such rating would not fall below this level as a result of such redemption or repurchase; or

(ii) in the case of a repurchase of the relevant Tranche, such repurchase taken together with other repurchases of other Hybrid Securities issued or guaranteed by the Issuer, is of less than (i) 10 per cent. of the aggregate principal amount of the outstanding Hybrid Securities issued or guaranteed by the Issuer in any period of 12 consecutive months or (ii) 25 per cent. of the aggregate principal amount of the outstanding Hybrid Securities issued or guaranteed by the Issuer in any period of 10 consecutive years, provided that in each case such repurchase has no materially negative effect on the Issuer's credit profile; or

(iii) the relevant Tranche is not assigned an "equity credit" (or such similar nomenclature then used by S&P) at the time of such redemption or repurchase; or

(iv) in the case of a repurchase, such repurchase relates to an aggregate principal amount of Securities which is less than or equal to the excess (if any) above the maximum aggregate principal amount of the Issuer's hybrid capital to which S&P would assign equity content under its prevailing methodology; or

(v) such redemption or repurchase occurs on or after 27 December 2046 (in the case of the NC5.25 Securities) and 27 September 2049 (in the case of the NC8 Securities).

"**Hybrid Securities**" means securities that at the time of their issuance were and which continue to be assigned "equity credit" (or such other nomenclature used by S&P from time to time).

Form: The Securities will be in bearer form and the Securities of each Tranche will initially be represented by a Temporary Global Security, without interest coupons or talons attached, which will be deposited with a common depositary on behalf of Euroclear and Clearstream, Luxembourg on or about the Issue Date. Each Temporary Global Security will be exchangeable for interests in a Permanent Global Security, without interest coupons or talons attached, on or after a date which is expected to be 7 November 2021, upon certification as to non-U.S. beneficial ownership. Each Permanent Global Security will be exchangeable for Definitive Securities in bearer form in the denominations of €100,000 and integral multiples of €1,000 in excess thereof up to, and including, €199,000, in each case in the limited circumstances set out in it. No Definitive Securities will be issued with a denomination above €199,000 in respect of the Securities. See "*Summary of Provisions relating to the Securities while in Global Form*".

Denominations:	€100,000 and integral multiples of €1,000 in excess thereof up to, and including, €199,000.
Listing and Admission to Trading:	Applications will be made to the FCA for the Securities of each Tranche to be admitted to the Official List and to the London Stock Exchange for the Securities of each Tranche to be admitted to trading on the Market.
Governing Law of the Securities:	English law.
Ratings:	Each Tranche is expected to be rated BBB- by S&P and Ba1 by Moody's. A rating is not a recommendation to buy, sell or hold securities and may be subject to revision, suspension or withdrawal at any time by the assigning rating organisation. As of the date of this Prospectus, S&P is not established in the UK but the rating it is expected to give to each Tranche will be endorsed by S&P Global Ratings UK Limited, which is established in the UK and registered under the UK CRA Regulation and Moody's is a credit rating agency established in the UK and registered under the UK CRA Regulation.
Use of Proceeds:	The net proceeds of the issue of the Securities will be used for general corporate purposes of the Issuer and its group, including repayment of debt.
Selling Restrictions:	The United States, the EEA (including Belgium), the United Kingdom, Japan, Hong Kong and Singapore. See "*Subscription and Sale*". Category 2 offering restrictions have been implemented for the purposes of Regulation S under the Securities Act.
Risk Factors:	Prospective investors should carefully consider the information set out in "*Risk Factors*" in conjunction with the other information contained or incorporated by reference in this Prospectus.
ISIN:	XS2391779134 in respect of the NC5.25 Securities; and XS2391790610 in respect of the NC8 Securities.
Common Code:	239177913 in respect of the NC5.25 Securities; and 239179061 in respect of the NC8 Securities.

RISK FACTORS

The Issuer believes that the following factors may affect its ability to fulfil its obligations under the Securities.

Factors which the Issuer believes may be material for the purpose of assessing the market risks associated with the Securities are also described below.

The Issuer believes that the factors described below represent all the material risks known to them as of the date of this Prospectus inherent in investing in the Securities, but the Issuer may be unable to pay interest, principal or other amounts on or in respect of the Securities for other reasons, and the Issuer does not represent that the statements below regarding the risks of holding the Securities are exhaustive. Prospective investors should also read the detailed information set out elsewhere in this Prospectus (including any documents incorporated by reference herein) and reach their own views prior to making any investment decision.

1. Risks relating to the Issuer and its business

A. Business execution and supply chain risks

Competition from illicit trade.

Illicit trade, illegal products and tobacco trafficking in the form of counterfeit products, smuggled genuine products (product diversion), and locally manufactured products, which do not comply with applicable regulations and/or in which applicable taxes are evaded, represent a significant and growing threat to the legitimate tobacco industry and New Categories (defined as Vapour, Tobacco Heating Products ("**THP**") and Modern Oral) products. Factors such as increasing levels of taxation, price increases, economic downturn, lack of law enforcement, appropriate penalties and weak border control are encouraging more adult tobacco and New Categories consumers to switch to illegal cheaper tobacco and New Categories products and are providing greater rewards for counterfeiters and smugglers. Regulatory restrictions such as plain packaging or graphic health warnings, display bans, flavour or ingredient restrictions and increased compliance costs further disadvantage legitimate industry participants by providing competitive advantages to illicit manufacturers and distributors of illicit tobacco and New Categories products.

Illicit trade can have an adverse effect on the Group's overall sales volume and may restrict the ability to increase selling prices. Illicit trade can also damage brand equity and reputation, which could undermine the Group's investment in Trade Marketing and Distribution. These factors in turn could reduce profits and have an adverse effect on the Group's results of operations and financial conditions. Further, counterfeit

New Categories products and other illicit products could harm consumers, damaging goodwill and/or the category (with lower volumes and reduced profits), and potentially leading to misplaced claims against BAT and further regulation. In addition, as the Group has contractual and legislative obligations to prevent the diversion of its products into illicit channels, actual and perceived breaches of the obligations to prevent product diversion into illicit channels can lead to substantial fines in the forms of seizure payments and legislative penalties, as well as the risk of reputational damage from Group products being found in illicit channels.

Geopolitical tensions that have the potential to disrupt the Group's business in multiple markets.

The Group's operations and financial condition are influenced by the economic and political situations in the markets and regions in which it has operations, which are often unpredictable and outside of its control. Some markets in which the Group operates face the threat of civil unrest and can be subject to frequent changes in regime. In others, there is a risk of terrorism, conflict, global health crisis, war, organised crime or other criminal activity. The Group is also exposed to economic policy changes in jurisdictions in which it operates. In addition, some markets maintain trade barriers or adopt policies that favour domestic producers, preventing or restricting the Group's sales.

Deterioration of socio-economic or political conditions could potentially lead to loss of life, restricted mobility, loss of assets and/or denial of access to BAT sites that reduce the Group's access to particular markets or may disrupt the Group's operations, such as supply chain, or manufacturing or distribution capabilities. Such disruption may result in increased costs due to the need for more complex supply chain arrangements, to build new facilities or to maintain inefficient facilities, or in a reduction of the Group's sales volume.

Disruption to the Group's data and information technology systems, including by cyber attack or the malicious manipulation or disclosure of confidential or sensitive information.

The Group increasingly relies on data and information technology systems for its daily business operations, internal communications, controls, reporting and relations with customers and suppliers. Some of these systems are managed by third-party service providers. A significant disruption of the Group's systems, including those managed by third-party service providers, due to computer viruses, cyber threats, malicious intrusions or unintended or malicious behaviour by employees, contractors or services providers could affect the Group's communications and operations. Computer viruses and cyber attacks are becoming more sophisticated and coordinated. In addition, such disruption may compromise the integrity of information and result in the inappropriate disclosure of confidential information, or may lead to false or misleading statements being made about the Group.

Any disruption to technology systems related to the Group's operations could adversely affect its business and result in financial and reputational losses. Any delays or failure to rapidly detect or respond to attempts to gain unauthorised access to the Group's information technology systems through a cyber attack can lead to a loss of access to systems or information being corrupted or lost, resulting in significantly increased costs for remediation and reputational consequences. Any delay in response will also impact the outcome.

Security breaches and the loss of data or operational capacity may disrupt relationships throughout the supply chain, expose the Group or the Group's consumers to a risk of loss or misuse of information, which could further expose the Group to liability, impact the Group's reputation and lead to increased costs.

The disclosure of trade secrets or other commercially sensitive information may provide competitors with a competitive advantage resulting in competitive or operational damage to the Group. The disclosure of confidential and sensitive information about the Group's employees, customers, consumers, suppliers or other third parties could compromise data privacy and expose the Group to liability.

Failure to effectively prevent or respond to a major breach or cyber attack may also subject the Group to significant reputational damage.

Failure to meet current or future New Categories demand.

The New Categories supply chain is a multi-tiered and complex environment with reliance on multiple factors, such as third-party suppliers' ability to upscale production in order to meet demand while maintaining product quality, dependency on single suppliers at various points in the chain and the Group's ability to build adequate consumables production capacity in line with product demand. The geographical spread of suppliers and customers exposes the Group to political and economic conflicts such as Brexit and trade wars which may compromise the New Categories supply chain. Given the developing nature of the New Categories portfolio, there is also an enhanced risk that some products may not meet product quality and safety standards or may be subject to regulatory changes, leading to product recalls, which the Group has experienced in the past, or bans of certain ingredients or products. In addition, the New Categories supply chain may be vulnerable to changes in local legislation related to liquid nicotine that could increase import duties. Furthermore, the New Categories supply chain includes the development of sensitive trade secrets jointly with external design partners, which carries the risk of exposure of innovations to competitors.

Vulnerabilities in the New Categories supply chain may impact the Group's ability to maintain supply and meet the current and future demand requirements across the New Categories portfolio, potentially resulting in significant reputational harm and financial impact that may negatively affect the Group's results of operations and financial condition. Over-forecasting may also lead to write-off and negatively impact working capital. The design of New Categories devices may also prevent the scaling of commercial manufacturing, which will either restrict supply or increase the costs of production.

In addition, changes in local legislation related to liquid nicotine import duties may increase New Categories production costs, which may increase end market pricing. Furthermore, the exposure of sensitive trade secrets can lead to competitive disadvantages and further negatively impact the Group's results of operations and financial condition.

Failure of a financial counterparty.

The Group relies on transactions with a variety of financial counterparties to manage the Group's business and financial risks. In the event that any of these counterparties fails, payments due from such counterparties, such as under hedging or insurance contracts, may not be recovered. In addition, failure of a transactional banking party may lead to the loss of cash balances and disruption to payment systems involving such counterparty.

The inability to recover payments due from one or more failed financial counterparties or the loss of cash balances may cause significant financial loss and have an adverse impact on the Group's results of operations, financial condition and financial risk profile. In addition, the loss of cash balances or a disruption to payment systems may cause disruption to the Group's ongoing operations and ability to pay its creditors and suppliers.

Exposure to unavailability of, and price volatility in, raw materials and increased costs of employment.

The availability and price of various commodities required in the manufacture of the Group's products fluctuate. Raw materials and other inputs used in the Group's business, such as wood pulp and energy, are commodities that are subject to price volatility caused by numerous factors, including political influence, market fluctuations and natural disasters.

Similarly, the Group is exposed to the risk of an increase above inflation in employment costs, including due to governmental action to introduce or increase minimum wages. Employment and health care law changes may also increase the cost of provided health care and other employment benefits expenses.

Restricted availability and price volatility of commodities may result in supply shortages and unexpected increases in costs for raw materials and packaging for the Group's products, which may affect the Group's results of operations and financial condition.

Similarly, the Group's profitability may be affected by increases in overall employment costs.

The Group may not be able to increase prices to offset increased costs without suffering reduced sales volume and revenue. In the absence of compensating for increased costs through pricing, significant increases in raw material, packaging and employment costs above inflation will impact product margins, leading to lower profits and negatively affecting the Group's results of operations and financial condition.

Failure to retain key personnel or to attract and retain skilled talent.

The Group relies on a number of highly experienced employees with detailed knowledge of the tobacco industry, other areas of focus for the Group and the Group's business. Similarly, the Group is dependent on its ability to identify, attract, develop and retain such qualified personnel in the future.

Furthermore, broader economic and Environmental, Social and Governance ("**ESG**") trends may impact the Group's ability to retain key employees and may increase competition for highly talented employees, potentially resulting in the loss of experienced employees.

If the Group is unable to retain its existing key employees or to attract and retain skilled talent in the future, critical positions may be left vacant, which could adversely impact the delivery of strategic objectives, which could ultimately impact the Group's results of operations and financial condition.

High voluntary employee turnover may also reduce organisational performance and productivity, which may have a further adverse impact on the Group's results of operations and financial condition.

Disruption to the supply chain and distribution channels.

The Group has an increasingly global approach to managing its supply chain and distribution channels and is exposed to the risk of disruption to any aspect of the Group's supply chain, to suppliers' operations or to distribution channels, and the deterioration in the financial condition of a trading partner.

Such disruption may be caused by a cyber event, global health crisis, major fire, violent weather conditions or other natural disasters that affect manufacturing or other facilities of the Group's operating subsidiaries or those of their suppliers and distributors. In certain geographic areas where the Group operates, insurance coverage may not be obtainable on commercially reasonable terms, if at all. Coverage may be subject to limitations or the Group may be unable to recover damages from its insurers.

Disruption may also be caused by spread of infectious disease (such as the COVID-19 pandemic) or by a deterioration in labour or union relations, disputes or work stoppages or other labour-related developments within the Group or its suppliers and distributors.

In addition, the Group's operating subsidiaries may not be able to establish or maintain relationships on favourable commercial terms with their suppliers and distributors. In some markets, distribution of the Group's products is through third-party monopoly channels, often licensed by governments. The Group may be unable to renew these third-party supplier and distribution agreements on satisfactory terms for numerous reasons, including government regulations or ESG considerations.

Furthermore, there are some product categories for which the Group does not have spare production capacity or where substitution between different production plants is very difficult. Consolidation of global suppliers and certain distributors that control large geographies may reduce the Group's availability of alternatives and negatively impact the Group's negotiating power with key suppliers and distributors.

These risks are particularly relevant in jurisdictions where the Group's manufacturing facilities are more concentrated or for certain product categories where production is more centralised.

Any disruption to the Group's supply chain and distribution channels could have an adverse effect on the results of operations and financial conditions of the Group through failures to meet shipment demand, contract disputes, increased costs and loss of market share.

Failure to deliver digital innovation and drive digital transformation.

The Group's strategy in areas of further growth and increasing profitability depends to a large extent on digital transformation and innovation. Digital transformation and innovation are key drivers of the Group's Ethos, which includes new and modern categories of products, increased interaction with customers, data-driven decision making and cost optimisation efforts driven by automated and modernised processes. Examples of the Group's ambitions that depend on digital transformation include:

- the ability to leverage its data assets to generate insights and foresights as a key driver of revenue growth;
- the expansion and flexibility of technology solutions to streamline the market realisation of new products and marketing campaigns; and
- the ability to build new solutions and the flexibility to react to market disruptions.

The Group must effectively implement new ways of working and supporting technologies to fully develop the digital agenda defined by the Board (e.g. digital channels, data and analytics, automation, cyber, etc.).

The Group may see stalled progress in the pace of digital transformation and hampered strategy goals realisation if the necessary information and digital technology is not ready to support the business implementation of Global Functional Transformations (e.g. direct relationship with consumers, integrated planning, demand forecasting and revenue growth management). The unavailability of the necessary digital technology may be due to missing technology capabilities, lack of scalability or poor data quality. Shortage of skills and ineffective ways of working may slow down the pace of the Group's digital transformation and hamper its value realisation processes. In addition, sub-optimal design of the global digital platforms implemented by BAT may lead to the fragmentation and under-utilisation of such platforms and slow down the Group's digital transformation.

The Group's multi-category strategy requires dealing with different consumer needs and behaviours as well as complying with various regulations, which increasingly require the expansion and flexibility of technology solutions. This may lead to the fragmentation and under-utilisation of existing and future technology solutions. Similarly, increased control and centralisation of the technology solutions and delivery mechanisms may slow down the effective delivery of the Group's digital transformation and innovation.

The Group's inability to adapt to the ever changing digital space and fully exploit the value expected from digital transformation may have an adverse impact on its competitive edge, market share and profitability, and may prevent the Group from reaching its medium and long term financial targets.

Exposure to product contamination.

The Group may experience product contamination, whether by accident or deliberate malicious intent, during supply chain or manufacturing processes, or may otherwise fail to comply with the Group's quality standards. The Group may also receive threats of malicious tampering.

Product contamination or threats of contamination may expose the Group to significant costs associated with recalling products from the market or temporarily ceasing production. In addition, adult tobacco consumers may lose confidence in the specific brand affected by the contamination, resulting in reputational damage and a loss of sales volume and market share. The Group could be subject to liability and costs associated with civil and criminal actions as well as regulatory sanctions brought in connection with a contamination of the Group's products. Each of these results may in turn have an adverse effect on the Group's results of operations and financial condition.

Inability to obtain adequate supplies of tobacco leaf.

The Group purchases significant volumes of packed leaf each year. Tobacco leaf supplies are impacted by a variety of factors, including weather conditions, drought, flood and other natural disasters, growing conditions, diseases causing crop failure, climate change and local planting decisions. Tobacco production in certain countries is also subject to a variety of controls, including regulation affecting farming and production control programmes, and competition for land use from other agriculture products. Such controls and competition can further constrain the production of tobacco leaf, raising prices and reducing supply.

Human rights issues may arise in connection with the Group's tobacco leaf supply chain. Due to the large number of casual and temporary workers, the use of family labour in small-scale farming and high levels of rural poverty, the agricultural sector as a whole is vulnerable to human rights issues. The Group recognises that child labour is a risk to Group's tobacco leaf supply chain.

Restricted availability of tobacco leaf may impact the quality of the Group's products to a level that may be perceptible by consumers and may impact the Group's ability to deliver on consumer needs. Accordingly, the reduction of tobacco leaf supply may impact supply and demand of the Group's products and have a negative

impact on results of operations. The Group's commitment to ESG may result in higher tobacco leaf prices. Higher tobacco leaf prices may also increase the Group's costs for raw materials and have an adverse effect on its results of operations and financial condition.

Failure to successfully design, implement and sustain an integrated operating model.

The Group aims to improve profitability and productivity through supply chain improvements and the implementation of an integrated operating model and organisational structure, including standardisation of processes, centralised back-office services and a common IT platform. The Group undertakes transformation initiatives periodically which aim to simplify the organisation and facilitate growth. The Group's efforts to achieve these goals are driven and enabled through use of its Test Acceleration and Optimisation ("**TaO**") (central Systems, Applications and Products ("**SAP**") ERP system) global template - a standardised process used by all BAT entities globally with the use of a central SAP instance common for BAT subsidiaries (excluding RAI and its subsidiaries). These processes include, among others, core back office global processes, procurement, warehouse management, accounting and controlling.

Failure by the Group to successfully design, implement and sustain the integrated operating model, organisational structure and transformation initiatives could lead to the failure to realise anticipated benefits, increased costs, disruption to operations, decreased trading performance, disgruntled employees, loss of institutional knowledge and reduced market share. These results could in turn reduce profitability and funds available for investment by the Group in long-term growth opportunities. Lack of adherence to the TaO template, as well as template degradation over time, may result in the failure to maintain achieved productivity gains and capture additional productivity gains which may in turn have an adverse effect on the Group's results of operations and financial condition.

Failure to uphold the high standard of ESG management.

Stakeholder and shareholder expectations of the Group's ESG performance are continually evolving. The Group may fail to have the appropriate internal standards, strategic plans and governance, monitoring and reporting mechanisms in place to ensure it can identify emerging issues, meet external expectations and align with recognised international standards.

Failure to uphold high standards of ESG management could seriously impact Group reputation and reduce investor confidence. In addition, poor performance across any aspect of ESG, such as a failure to address climate change or human rights impacts across the Group's business and supply chain, could result in increased regulation, difficulty in attracting and retaining talent, criminal or civil prosecution, or decreases in consumer demand for the Group's products.

Impact of a pandemic on the performance of the Group.

The Group continues to closely monitor the development and disruption of the present coronavirus (the "**COVID-19 pandemic**") and second and further waves seen in some countries across the Group. The consequences of COVID-19 may include significant logistical challenges for staff and their ability to perform their duties, potential loss of lives or significant level of illness in the workforce, inability to deliver revenue stream and market share targets impacting profits and cash flows, disruption to supply chain and third parties unable to deliver contractual goods and services. In addition, some countries across the Group have adopted regulations restricting the ability to manufacture, distribute, market and sell products.

The COVID-19 pandemic's impact on the Group's results of operations and financial condition is uncertain and cannot be predicted as the pandemic evolves.

The long-term impacts of the COVID-19 pandemic to the Group's business will depend on a range of factors which the Group is not able to accurately predict, including the duration and scope of the pandemic, the

geographies impacted, the impact of the pandemic on economic activity and the nature and severity of measures adopted by governments. These factors include, but are not limited to:

- Reductions or volatility in consumer demand for one or more of the Group's products due to illness, retail closures, quarantine or other travel restrictions, health consciousness (quitting use of tobacco and nicotine products), government restrictions, the deterioration of socio-economic conditions, economic hardship and customer-downtrading (switching to a cheaper brand), which may impact the Group's market share.

- Disruptions to the Group's operations, such as its supply chain, or manufacturing or distribution capabilities, which may result in increased costs due to the need for more complex supply chain arrangements, to expand existing facilities or to maintain inefficient facilities, a reduction of the Group's sales volumes or an increase in bad debts from customers.

- Disruption to the Group's operations resulting from a significant number of the Group's employees, including employees performing key functions, working remotely for extended periods of time or becoming ill, which may reduce the employees' efficiency and productivity and cause product development delays, hamper new product innovation and have other unforeseen adverse effects on the Group's business.

- Significant volatility in financial markets (including exchange rate volatility) and measures adopted by governments and central banks that further restrict liquidity, which may limit the Group's access to funds, lead to shortages of cash and cash equivalents needed to operate the Group's business, and impact the Group's ability to refinance its existing debt.

- Regulations restricting the ability to manufacture, distribute, market and sell products, and potentially increasing illicit trade.

- Governments seeking to increase revenues through increased corporate taxes and excise in combustible and/or New Category products, increasing the cost and prices of the Group's products - which could reduce volumes and margins, and/or increase illicit trade.

All of these factors may have material adverse effects on the Group's results of operations and financial condition.

B. Legal, regulatory and compliance risks

Exposure to increasingly stringent regulatory measures affecting the manufacture, packaging, sale and marketing of the Group's products.

Tobacco control measures are in place in nearly all markets in which the Group operates. Such restrictions are introduced by regulations and/or voluntary agreements. Most tobacco control measures can be categorised as follows:

- Place: including regulations restricting smoking in private and public spaces (e.g., public place smoking bans, including restaurants and bars);

- Product: including regulations on the use of and/or testing for ingredients, product design and attributes (e.g., ceilings regarding tar, nicotine and carbon monoxide yields, as well as restrictions on flavours, including menthol); product safety regulations (e.g., reduced cigarette ignition propensity standards); and regulatory product disclosure requirements (e.g., ingredients and emissions reporting);

- Packaging and labelling: including regulations on health warnings and other government-mandated messages (e.g., in respect of content, positioning, size and rotation); restrictions on the use of certain

descriptors and brand names; requirements on pack shape, size, weight and colour; and mandatory plain packaging;

- Sponsorship, promotion, advertising and marketing: including partial or total bans on advertising, marketing, promotions and sponsorship; restrictions on brand sharing and brand stretching (i.e., using tobacco branding on non-tobacco products); restrictive regulatory measures or principles (including the Group's International Marketing Principles) on the marketing and sale of tobacco products to consumers such as age verification measures;
- Purchase: including regulations on where the products are sold, such as type of outlet (e.g., supermarkets and vending machines) and how they are sold (e.g., above the counter or under the counter); and
- Price: including regulations that have implications on the prices that manufacturers can charge for their tobacco products (e.g., excise taxes and minimum prices).

The Group believes that the introduction of further regulation on tobacco control is expected over the medium term in many of the Group's markets, e.g. in the US following the change of administration and other results in the 2020 elections. The actions of competitors contrary to the regulations applicable to certain markets, may cause reputational harm to the industry as a whole and may result in additional regulation or bans on certain products.

In addition, the Group may fail to implement the right level of control measures or to maintain adequate standards of compliance with the regulatory measures affecting the manufacture, packaging, sale and marketing of the Group's products. For example, the Group's marketing activities may fail to comply with the relevant law and regulations or with the Group's International Marketing Principles. Insufficient information, instruction and training in the relevant areas and a lack of knowledge of the existence and/or requirements of relevant regulations, or a failure to monitor, assess and implement the requirements of new or modified regulation, may increase these risks.

Traditional tobacco products

Bans or restrictions on the sale of flavoured tobacco products and menthol have been introduced, and may be introduced in the future, at a municipal, state, national or international level. Further, various national or international regulatory regimes may seek to require the reduction of nicotine levels in tobacco products. With respect to tobacco and combustible products, many of the measures outlined in the FCTC have been or are in the process of being implemented through national legislation in many markets in which the Group operates, including recommendations for plain packaging and flavour bans with menthol bans in effect in the European Union since 20 May 2020. In November 2018, the US Food and Drug Administration ("**FDA**") announced the acceleration of proposed rulemaking to seek a ban on menthol in combustible tobacco products. Additionally, in March 2018, the FDA published its ANPRM titled "Tobacco Product Standard for Nicotine Level of Combusted Cigarettes" and invited interested parties to submit comments on, among other issues, maximum nicotine limits and whether any maximum nicotine level should apply to combustible tobacco products.

In the US, manufacturers of all tobacco products deemed to be under the authority of the FDA as of 2016 (which includes vapour and Modern Oral products) must submit information to the FDA seeking formal marketing authorisation of such products. Several countries, including France, Belgium and Pakistan, have sought or are seeking to prohibit certain brands/brand variants or messaging on cigarette packaging that promotes a brand or usage. Finally, the FCTC COP9 and the EU Tobacco Product Directive 2, Post Implementation Review which is currently ongoing, are likely to result in further regulation for New Categories and traditional tobacco products.

New Categories

With respect to New Categories, although a common framework for regulation and taxation has yet to emerge, the manufacture, sale, packaging and advertising of such products are increasingly being regulated. In fact, some regulators have applied or are considering applying combustible tobacco products' restrictive regulatory framework to New Categories, such as public place vaping bans or plain packaging. Some jurisdictions have banned or are considering banning New Categories altogether.

Following reports of individuals experiencing acute respiratory injury in suspected association with vaping certain e-liquids (EVALI) and several allegations regarding vaping youth usage in the USA, regulators at the local, municipal, state, national and international levels are increasingly applying or considering applying more restrictive regulations for vapour products. This approach is publicly supported by the World Health Organization ("**WHO**") which continues to call on countries to ban or regulate novel nicotine products as tobacco.

The USA, Europe and Canada are playing a leading role across all identified regulatory risks, including: bans on flavours, sales channel bans, advertising restrictions and nicotine limits, among others. With respect to Modern Oral, regulatory frameworks currently follow divergent approaches. In certain markets, in particular where there is an absence of adequate regulation, actions of irresponsible competitors may cause reputational harm to the category and result in outright bans or adverse regulation, as has been the case in Russia with allegations regarding youth usage. In markets where there is a likelihood of tobacco, pharmaceutical or food regulatory classification, the category can be at risk of severe regulation or total ban.

The Group believes that Tobacco Heated Products are likely to be regulated as traditional tobacco products, driven by the decision of WHO's 7th Conference of Parties to the Framework Convention on Tobacco Control, including recommendations for plain packaging and flavour bans.

Existing and future regulatory measures impacting both New Categories and/or traditional tobacco products could adversely affect volume, revenue and profits, as a result of: restrictions on the Group's ability to sell its products or brands, reduced margins due to increased operating costs, impediments to building or maintaining brand equity and restrictions on the Group's ability to deliver, market and sell existing or new products responding to consumers' preferences. In addition, new regulation could lead to greater complexity, as well as higher production and compliance costs.

As an example, through the acquisition of RAI, the Group acquired the Newport brand, the leading menthol cigarette brand in the US, the Group's largest single market. The sales of Newport, together with the other menthol brands of the Group's operating subsidiaries, represent a significant portion of the Group's total net sales. Any action by the FDA or any other governmental authority banning or materially restricting the use of menthol in tobacco products could have a significant negative impact on sales volumes, which would, in turn, have an adverse effect on the results of operations and financial position of the Group. Any action by the FDA or any government authority restricting the use of New Category products could also have an adverse effect on the operation and financial position of the Group.

As a reflection of the real or perceived impact of stricter regulation in its business, the Group's share price has also experienced, and could in the future experience, shocks upon the announcement or enactment of restrictive regulation. All these effects may have an adverse effect on the Group's results of operations and financial conditions.

Similarly, regulations on nicotine levels in cigarettes and in other products that are being considered in a number of jurisdictions in which the Group operates could have a negative impact on sales volumes of the Group's products in the relevant jurisdictions.

In addition, taking into account the significant number of regulations that may apply to the Group's businesses across the world, the Group is and may in the future be subject to claims for breach of such regulations. In particular, national authorities (such as the FDA), organisations or even individuals may allege that the Group's marketing activities do not comply with the relevant laws and regulations, or with its International Marketing Principles. As such, the Group could be subject to liability and costs associated with civil and criminal actions as well as regulatory sanctions, fines and penalties brought in connection with these allegations. Even when proven untrue, there are often financial costs and reputational impacts in defending against such claims and allegations (including potential adverse impact on the treatment by the FDA of the Group's PMTAs in the US). Each of these results may in turn have an adverse effect on the Group's results of operations and financial condition.

Adverse implications of EU legislation on single-use plastics that will result in on-pack environmental warnings and financial implications relating to the Extended Producer Responsibility ("EPR").

The EU adopted a Directive on single-use plastics in July 2019 which, among other products, targets tobacco products with filters containing plastic. The Cellulose Acetate in the Group's filters is defined as a single-use plastic under the Directive and, as such, the Directive will have an impact on the Group's cigarettes, filters for other tobacco products and consumables for THPs.

Under the Directive, the Group will be subject to Extended Producer Responsibility (EPR) schemes, requiring the Group to cover the costs of collecting, transporting, treating and cleaning-up of filters containing plastic. The Directive also imposes on tobacco manufacturers the obligation to finance consumer awareness campaigns and to place environmental markings on packs of products with filters containing plastic.

Prior to the anticipated implementation deadline for EPR schemes on 5 January 2023, the European Commission is expected to issue guidelines on the criteria for the costs of cleaning up litter in Q1 2021. In addition, in December 2020 the European Commission adopted and published an Implementing Act harmonising specifications for required product markings with a compliance deadline of July 2021. When transposing the Directive into national law, EU member states could decide to expand its scope under their respective national laws, which may expose the Group to additional regulations and financial obligations. This is already the case in France, where EPR implementation has already occurred with an expansion of the scope to include non-plastic filters for RYO products, and Sweden, where the Swedish government published a draft law regulating EPR for tobacco filters, snus and modern oral pouches on 25 May 2021.

It is noted that there is a growing level of scrutiny on the use of single-use plastic across the world and a number of other markets in which the Group operates are considering ways to restrict (or ban) the use of filters made of plastic and/or introduce EPR schemes covering other plastic elements in the Group's products beyond filters for traditional products and/or New Categories products.

The financial implications of existing and future EPR schemes will increase operating costs and may have an adverse effect on the Group's results of operations and financial condition. If significant space is appropriated on the packaging of some of the Group's products, this may also be an impediment to maintaining or building brand equity of the Group's products which may, in turn, have a negative impact on the Group's sales volume.

Exposure to litigation on tobacco, nicotine, New Categories and other issues.

The Group is involved in litigation related to its tobacco and nicotine products, including legal, regulatory and patent actions, proceedings and claims, brought against it in a number of jurisdictions. Claims brought against the Group may be based on personal injury (both individual claims and class actions), economic loss arising from the treatment of smoking and health-related diseases (such as medical recoupment claims brought by local governments), patent infringement (please refer to the risk factor under "*Product pipeline, commercialisation and Intellectual Property risks – Exposure to risks associated with intellectual property rights, including the*

failure to identify, protect and prevent infringement of the Group's intellectual property rights and potential infringement of, or the failure to retain licences to use, third-party intellectual property rights" below), negligence, strict tort liability, design defect, failure to warn, fraud, misrepresentation, deceptive/unfair trade practices, conspiracy, medical monitoring and violations of antitrust/racketeering laws. Certain actions, such as those in the US and Canada, involve claims in the tens or hundreds of billions of Sterling. The Group is also involved in proceedings that are not directly related to its tobacco and nicotine products, including proceedings based on environmental pollution claims.

Additional legal and regulatory actions, proceedings and claims may be brought against the Group in the future.

The Group's consolidated results of operations and financial position could be materially affected by any unfavourable outcome of certain pending or future litigation. The Group could be exposed to substantial liability, which may take the form of ongoing payments. Whether successful or not, the costs of the Group's involvement in litigation could materially increase due to costs associated with bringing proceedings and defending claims, which may also cause operational and strategic disruption by diverting management time away from business matters. Liabilities and costs in connection with litigation could result in bankruptcy of one or more Group entities which, in turn, could cause a material reduction in the Group's sales volume and profits. Any negative publicity resulting from these claims may also adversely affect the Group's reputation.

Please refer to the "Contingent liabilities and financial commitments" section on pages 95 to 134 for details of contingent liabilities applicable to the Group.

Significant and/or unexpected increases or structural changes in tobacco and nicotine related taxes.

Tobacco and nicotine products are subject to high levels of taxation, including excise taxes, sales taxes, import duties and levies in most markets in which the Group operates. In many of these markets, taxes are generally increasing, but the rate of increase varies between markets and between different types of tobacco and nicotine products. Increases in, or the introduction of new, tobacco and nicotine-related taxes may be caused by a number of factors, including fiscal pressures, health policy objectives and increased lobbying pressure from anti-tobacco advocates.

With respect to New Categories, although a common framework for regulation and taxation has yet to emerge, the manufacture, sale, packaging and advertising of such products are increasingly being regulated and taxed.

Significant or unexpected increases in, or the introduction of new, tobacco-related taxes or minimum retail selling prices, changes in relative tax rates for different tobacco and nicotine products or adjustments to excise have in the past resulted, and may in the future result in, the need for the Group to absorb such tax increases due to limits in its ability to increase prices, an alteration in the sales mix in favour of value-for-money brands or products, or growth in illicit trade, each of which could impact pricing, sales volume and profit for the Group's products.

Failure to comply with health and safety and environmental laws.

The Group is subject to a variety of laws, regulations and operational standards relating to health and safety and the environment. The Group may fail to assess certain risks and implement the right level of control measures or to maintain adequate standards of health and safety or environmental compliance, which could cause injury, ill health, disability or loss of life to employees, contractors or members of the public, or harm to the natural environment and local communities in which the Group operates. Insufficient information, instruction and training in the relevant areas and a lack of knowledge of the existence and/or requirements of relevant regulations, or a failure to monitor, assess and implement the requirements of new or modified legislation, may increase these risks.

Any failure by the Group to comply with applicable health and safety or environmental laws, or the exposure to the consequences of a perceived failure, could result in business disruption, reputational damage, difficulties in recruiting and retaining staff, increased insurance costs, consequential losses, the obligation to install or upgrade costly pollution control equipment, loss of value of the Group's assets, remedial costs and damages, fines and penalties as well as civil or criminal liability. Each of these results could in turn adversely impact the Group's results of operations and financial condition.

Exposure to unfavourable tax rulings.

The Group is subject to tax laws in a variety of jurisdictions. The Group's interpretation and application of the tax laws could differ from those of the relevant tax authority, which may subject the Group to claims for breach of such laws, including for late or incorrect filings or for misinterpretation of rules. Tax authorities in a variety of jurisdictions, such as the Netherlands and Russia, have assessed, and may in the future assess, the Group for historical tax claims, including interest and penalties, arising from disputed areas of tax law. The Group is currently party to tax disputes in a number of jurisdictions, some of which involve claims for amounts in the hundreds of millions of Sterling.

Please refer to the "Contingent liabilities and financial commitments" section on pages 95 to 134 for details of contingent liabilities applicable to the Group.

The Group's failure to comply with the relevant tax authority's interpretation and application of the tax laws could result in significant financial and legal penalties, including the payment of additional taxes, fines and interest in the event of an unfavourable ruling by a tax authority in a disputed area, as well as the payment of dispute costs. Disruption to the business could occur as a result of management's time being diverted away from business matters. Each of these results could negatively affect the Group's results of operations and financial condition.

Unexpected legislative changes to corporate income tax laws.

The Group is subject to corporate income tax laws in the jurisdictions in which it operates. These laws frequently change on a prospective or retroactive basis.

Legislative changes to corporate income tax laws and regulations may have an adverse impact on the Group's corporate income tax liabilities and may lead to a material increase of the Group's overall tax rate. This could, in turn, negatively affect the Group's results of operations and financial condition.

Exposure to potential liability under competition or antitrust laws.

According to the Group's internal estimates, the Group is a market leader by volume in certain categories in a number of countries in which it operates and/or is one of a small number of tobacco and /or New Categories companies in certain other markets in which it operates. The Group has had antitrust infringement decisions against it in the past and is subject to ongoing investigations (please refer to the "*Contingent liabilities and financial commitments*" section on pages 95 to 134 for details of contingent liabilities applicable to the Group).

The Group may fail to comply with competition or antitrust laws and may be subject to investigation and/or litigation for alleged abuse of its position in markets in which it has significant market share or for alleged collusion/anti-competitive arrangements with other market participants.

Failure by the Group to comply with competition or antitrust laws and investigations (and/or litigation) for violation of such laws may result in significant legal liability, fines, penalties and/or damages actions, criminal sanctions against the Group, its officers and employees, increased costs, prohibitions on conduct of the Group's business, forced divestment of brands and businesses (or parts of businesses) to competitors or other buyers, director disqualifications and commercial agreements being held void. The Group may face increased public

scrutiny and the investigation or imposition of sanctions by antitrust regulation agencies and/or courts for violations of competition regimes which may subject the Group to reputational damage and loss of goodwill.

Failure to establish and maintain adequate controls and procedures to comply with applicable securities, corporate governance and compliance regulations.

The Group's operations are subject to a range of rules and regulations around the world. These include US securities, corporate governance and compliance laws and regulations such as the Sarbanes-Oxley Act of 2002 and the US Foreign Corrupt Practices Act of 1977, which applies to the Group's worldwide activities. While the Group continuously seeks to improve its systems of internal controls and to remedy any weaknesses identified, there can be no assurance that the policies and procedures will be followed at all times or effectively detect and prevent violations of applicable laws. In addition, the Group is subject to increasingly stringent reporting obligations under UK corporate reporting regulations.

The increased scope and complexity of applicable regulations to which the Group is subject may lead to higher costs for compliance. Failure to comply with laws and regulations may result in significant legal liability, fines, penalties, and/or damages actions, criminal sanctions against the Group, its officers and employees, and damage to the Group's reputation. Non-compliance with such regulations could also lead to a loss of the Group's listing on one or more stock exchanges or a loss of investor confidence with a subsequent reduction in share price.

Loss of confidential information, including through manipulation of data by employees and system failure.

Unintended or malicious behaviour by employees, contractors, service providers and others using or managing the Group's confidential information (including sensitive or confidential information of third parties) or personal data (including sensitive consumer personal data) may affect the Group's communications and operations which may result in the unauthorised disclosure of such information. Extensive remote working may periodically increase this risk (e.g. during the COVID-19 pandemic).

In addition, flaws in the Group's IT systems, a lack of infrastructure or application resilience, slow or insufficient disaster recovery service levels or the installation of new systems may increase the possibility that data, including confidential, personal or other sensitive information, stored or communicated by IT systems may be corrupted, lost or disclosed.

The loss of confidential information may result in civil or criminal legal liability and prosecution by enforcement bodies and/or claims from third parties, which may subject the Group to the imposition of material fines, damages and/or penalties and the costs associated with defending these claims. It could also lead to a competitive disadvantage through the loss of trade secrets.

Inappropriate disclosure of confidential information or violation of the European General Data Protection Regulation ("**GDPR**") or other privacy laws (please refer to the risk factor under "*Loss or misuse of personal data through a failure to comply with the European General Data Protection Regulation, the UK Data Protection Act 2018, e-Privacy Laws and other privacy legislation governing the processing of personal data*" below) may also result in significant reputational harm and public scrutiny, a loss of investor confidence and reduced third-party reliance on the Group's information technology systems or other data handling practices. In addition, restoration and remediation of disclosed confidential information or personal data may be costly, difficult or even impossible. These consequences may adversely impact the Group's results of operations and financial condition.

Failure to comply with product regulations due to uncertainty surrounding the proper interpretation and application of those regulations.

The interpretation and application of regulations concerning the Group's products, such as the Tobacco and Related Products Directive ("**TPD2**"), may be subject to debate and uncertainty. This includes uncertainty over product classifications and restrictions on advertising. In particular with respect to the developing category of New Categories, which has grown in size and complexity in a relatively short period of time, a consensus framework for the interpretation and application of existing regulation, such as the rules concerning nicotine-containing liquids used in vapour products, has yet to emerge.

The continuously changing and evolving landscape of regulation concerning the Group's products contributes to the uncertainty surrounding interpretation and application and creates a risk that the Group may misinterpret or fail to comply with developing regulations in the various jurisdictions in which it operates, or becomes subject to enforcement actions from regulators. With the continuous changing of product cycle plans and expansion to new markets and innovations, there is a risk that such changes and launches fail to comply with the relevant regulations, including pre-approval and/or pre-registration requirements. For example, some governments have intentionally banned or are seeking to ban novel tobacco products and products containing nicotine, while others would need to amend their existing legislation to permit their sale. Even in countries where the sale of such products is currently permitted, some governments have adopted, or are seeking to adopt, bans on New Categories or restrictions on certain flavours.

The significant number of emerging regulations and the uncertainty surrounding their interpretation and application may subject the Group to claims for breach of such regulations. Financial costs of such enforcement actions include financial penalties, product recalls and litigation costs, and entail a significant risk of adverse publicity and damage to the Group's reputation and goodwill.

Failure to uphold high standards of corporate behaviour, including under anti-bribery and anti-corruption laws.

The Group is subject to various anti-corruption laws and regulations and other anti-financial crime laws including but not limited to failure to prevent facilitation of tax evasion ("**Anti-Corruption Laws**"). All employees of BAT, its subsidiaries and joint ventures which it controls are expected to uphold a high standard of corporate behaviour and comply with the Group Standards of Business Conduct ("**SoBC**") which includes a requirement to comply with Anti-Corruption Laws. Employees, associates, suppliers, distributors and agents are prohibited from engaging in improper conduct to obtain or retain business or to improperly influence (directly or indirectly) a person working in an official capacity to decide in the Group's favour. The Group's employees may fail to comply with the Group's SoBC and may violate applicable Anti-Corruption Laws.

In January 2021 the Group was informed that the investigation by UK's Serious Fraud Office ("**SFO**") into suspicions of corruption in the conduct of business by Group companies and associated persons had been closed. The SFO stated that it would continue to offer assistance to the ongoing investigations of other law enforcement partners. The potential for fines, penalties or other consequences cannot currently be assessed. As the investigations are ongoing, it is not yet possible to identify the timescale in which these matters might be resolved.

Failure of the Group to comply with Anti-Corruption Laws or to deploy and maintain robust internal policies, procedures and controls could result in significant fines and penalties, criminal sanctions against the Group and its officers and employees, increased costs, prohibitions or other limitations on the conduct of the Group's business and reputational harm and may subject the Group to claims for breach of such regulations.

Even when proven untrue, there are often financial costs, time demands and reputational impacts associated with investigating and defending against such claims.

Imposition of sanctions under sanctions regimes or similar international, regional or national measures.

National and international sanctions regimes or similar international, regional or national measures may affect jurisdictions in which the Group operates or third parties with which it may have commercial relationships.

In particular, the Group has operations in a number of countries that are subject to various sanctions, including Iran and Cuba. Operations in these countries expose the Group to the risk of significant financial costs and disruption in operations that may be difficult or impossible to predict or avoid or the activities could become commercially and/or operationally unviable.

National and international sanctions regimes may also affect third parties with which the Group has commercial relationships and could lead to supply and payment chain disruptions.

For example, the Group has been investigating, and is aware of governmental authorities' investigations into, allegations of misconduct. The Group is cooperating with the authorities' investigations, including the Department of Justice ("**DOJ**") and the Office of Foreign Assets Control ("**OFAC**") in the United States, which are conducting an investigation into suspicions of breach of sanctions. The potential for fines, penalties or other consequences cannot currently be assessed but may be material. As the investigations are ongoing, it is not yet possible to identify the timescale in which these matters might be resolved.

As a result of the limitations imposed by sanctions, it may become commercially and/or operationally unviable for the Group to operate in certain jurisdictions and the Group may be required to exit existing operations in such jurisdictions. The Group may also experience difficulty in sourcing materials or importing products and be exposed to increased costs. In addition, the costs of complying with sanctions may increase as a result of changes to existing sanctions regimes.

Any failure to comply with sanctions regimes or similar international, regional or national measures may result in significant legal liability, fines and/or penalties, criminal sanctions against the Group, its officers and employees, damage to commercial or banking relationships and reputational harm. Reputational harm may result regardless of whether the Group complies with imposed sanctions.

Please refer to the "Contingent liabilities and financial commitments" section on pages 95 to 134 for details of contingent liabilities applicable to the Group.

Loss or misuse of personal data through a failure to comply with the European General Data Protection Regulation, the UK Data Protection Act 2018, e-Privacy Laws and other privacy legislation governing the processing of personal data.

Personal data is a subset of data (which is likely to be confidential) which attracts different risks and treatment under the law. Breaches of data privacy laws include misuse of information which may not be confidential in nature. These include, for example, unsolicited marketing calls to a publicly available number, or using an individual's personal data in a way which was not authorised or in a way that the individual did not reasonably expect through technologies such as online tracking or monitoring.

Various privacy laws, including the GDPR, UK Data Protection Act 2018 ("**UKDPA**") and e-Privacy Directive ("**e-Privacy Laws**") / EU Regulatory guidances, govern the way in which organisations (comprising employees, contractors, service providers and other authorised persons) handle individuals' personal data including how such organisations, including the Group, track or monitor their online behaviour.

In particular:

- in the event of:
    - an unauthorised disclosure of personal data as a result of a bad actor (e.g. cyberattack); or

- flaws in the Group's IT systems, or application resilience, slow or insufficient disaster recovery service levels or the installation failure of a new system (which result in personal data stored or communicated by IT systems being corrupted, lost or disclosed);

Depending on the risk to the individuals concerned, such personal data breaches (including mass personal data unavailability) must be reported to the local data protection supervisory authority which could subject Group companies to not only regulatory scrutiny but also individual claims or even class action suits; and

- ePrivacy Laws state that any misuse of consumer personal data or lack of transparency provided to consumers on how the Group uses their data or tracks their online behaviours are subject to regulatory scrutiny.

Legal requirements relating to the collection, storage, handling, and transfer of personal data continue to evolve. Following the entry into force of the GDPR in May 2018, other jurisdictions in which the Group operates have enacted similar local legislation such as the California Consumer Privacy Act US and the "LGPD" in Brazil which further increases the risks surrounding the processing of personal data especially in the consumer space.

Failure to comply with existing or future e-Privacy Laws and privacy legislation governing the processing of personal data may adversely impact the Group's results of operations and financial condition.

Loss or misuse of personal data may result in civil or criminal legal liability and prosecution by enforcement bodies, which may subject the Group to the imposition of material fines (currently up to 4% of Group worldwide turnover in the context of GDPR) and/or penalties and/or claims and costs associated with defending these claims (which could include class action suits brought by consumers). Reputational damage could also potentially cause significant harm to the Group.

Relevant data protection supervisory authority could also order certain Group legal entities to cease processing activities, which could result in a significant operational disruption.

C. Economic and financial risks

Foreign exchange rate exposures.

The Group's reporting currency is the Sterling. The Group is exposed to the risk of fluctuations in exchange rates affecting the translation of net assets and earned profits of overseas subsidiaries into the Group's reporting currency. These translational exposures are not normally hedged.

Exposures also arise from the foreign currency denominated trading transactions undertaken by subsidiaries and dividend flows. Where not offset by opposing flows, these exposures are generally hedged according to internal policies, but hedging of exposure to certain currencies might not be possible due to exchange controls, limited currency availability or prohibitive costs, and errors in hedging may occur. Fiscal policy divergence in relation to interest rates between key markets may also increase these risks.

During periods of exchange rate volatility, the impact of exchange rates on the Group's results of operations and financial condition can be significant. Fluctuations in exchange rates of key currencies against the Sterling may result in volatility in the Group's reported earnings per share, cash flow and balance sheet. Furthermore, the dividend paid by the Group may be impacted if the payout ratio is not adjusted. Differences in translation between earnings and net debt may also affect key ratios used by credit rating agencies, which may have an adverse effect on the Group's credit ratings.

In addition, volatility and/or increased costs in the Group's business due to transactional foreign exchange rate exposures may adversely affect operating margins and profitability and attempts to increase prices to offset such increases could adversely impact sales volumes.

Inability to obtain price increases and exposure to risks from excessive price increases and value chain erosion.

Annual price increases by the Group are among the key drivers in increasing market profitability. However, the Group has in the past been, and may in the future be, unable to obtain such price increases as a result of increased regulation; increased competition from illicit trade; stretched consumer affordability arising from deteriorating political and economic conditions and rising prices; sharp increases or changes in excise structures; and competitors' pricing.

As the New Category market continues to develop, the Group may face erosion in the value chain for New Categories through lower market prices, excise taxes, high retail trade margins or high production costs that make New Categories less competitive versus combustible tobacco products. As an example, excise on Tobacco Heated Products in Japan is increasing and will align closer to factory made cigarettes following a five year (2018-2022) phased excise plan.

In addition, the Group faces the risk that price increases it has conducted in the past, and may conduct in the future, may be excessive and not find adequate adult tobacco consumer acceptance.

If the Group is unable to obtain price increases or is adversely affected by impacts of excessive price increases, it may be unable to achieve its strategic growth metrics, have fewer funds to invest in growth opportunities, and, in the case of excessive price increases, be faced with quicker reductions in sales volumes than anticipated due to accelerated market decline, down-trading (switching to a cheaper brand) and increased illicit trade. These in turn impact the Group's market share, results of operations and financial condition.

In addition, erosion in the value chain for New Categories could have a negative impact on the Group's sales volume or pricing for these products. High excise could dampen demand for New Categories or result in lower profit margins. Lower market prices, high retail trade margins or increases in production costs could also negatively impact profit margins or lead to uncompetitive pricing.

Effects of declining consumption of legitimate tobacco products and a tough competitive environment.

Evidence of market contraction and the growth of illicit trade of tobacco products is apparent in several key global markets in which the Group operates. This decline is due to multiple factors, including increases in excise taxes leading to continuous above-inflation price rises, changes in the regulatory environment, the continuing difficult economic environment in many countries impacting consumers' disposable incomes, the increase in the trade of illicit tobacco products, rising health concerns, a decline in the social acceptability of smoking and an increase in New Category uptake.

The Group competes based on the strength of its strategic brand portfolio, product quality and taste, brand recognition, brand loyalty, taste, innovation, packaging, service, marketing, advertising and price. The Group is subject to highly competitive environments in all aspects of its business, and its competitive position can be significantly influenced by the prevailing economic climate, consumers' disposable income, regulation, competitors' introduction of lower-price or innovative products, higher tobacco product taxes, higher absolute prices, governmental action to increase minimum wages, employment costs, interest rates and increase in raw material costs.

Furthermore, the Group is subject to substantial payment obligations under the State Settlement Agreements (as defined below), which adversely affect the ability of the Group to compete in the US with manufacturers of deep-discount cigarettes that are not subject to such substantial obligations.

Any future decline in the demand for legitimate tobacco products could have an adverse effect on the Group's results of operations and financial conditions.

In a tough competitive environment, factors such as market size reduction, customer down-trading, illicit trade and competitors aggressively taking market share through price re-positioning or price wars generally reduce the overall profit pool of the market and may impact the Group's profits. These risks may also lead to a decline in sales volume of the Group, loss of market share, erosion of its portfolio mix and reduction of funds available to it for investment in growth opportunities.

Funding, liquidity and interest rate risks.

The Group cannot be certain that it will have access to bank financing or to the debt and equity capital markets at all times and is therefore subject to funding and liquidity risks. In addition, the Group's access to funding may be affected by restrictive covenants to which it is subject under some of its credit facilities. Furthermore, broader ESG trends may impact the Group's access to funding.

The Group is also exposed to increases in interest rates in connection with both existing floating rate debt and future debt refinancings. The current economic environment, with historically low interest rates, increases the likelihood of higher interest rates in the future. The phaseout of LIBOR and uncertainty regarding the appropriate benchmark replacement similarly increases uncertainty with respect to the interest rates applicable to the Group's floating rate debt.

Furthermore, the Group operates in several markets closely regulated by governmental bodies that intervene in foreign exchange markets by imposing limitations on the ability to transfer local currency into foreign currency and introducing other currency controls that expose cash balances to devaluation risks or that increase costs to obtain hard currency. As a result, the Group's operational entities in these markets may be restricted from using end-market cash resources to pay for imported goods, dividend remittances, interest payments and royalties. The inability to access end-market cash resources in certain markets contributes to the Group's funding and liquidity risks.

Adverse developments in the Group's funding, liquidity and interest rate environment may lead to shortages of cash and cash equivalents needed to operate the Group's business and to refinance its existing debt. Inability to fund the business under the Group's current capital structure, failure to access funding and foreign exchange or increases in interest rates may also have an adverse effect on the Group's credit rating, which would in turn result in further increased funding costs and may require the Group to issue equity or seek new sources of capital. Non-compliance with the Group's covenants under certain credit facilities could lead to an acceleration of its debt. The phaseout of LIBOR may result in the Group being subject to higher or uncertain interest rates with respect to outstanding future and floating rate debt.

All these factors may have material adverse effects on the Group's results of operations and financial conditions. These conditions could also lead to underperforming bond prices and increased yields.

In the case of funding or liquidity constraints, the Group may also suffer reputational damage due to its perceived failure to manage the financial risk profile of its business, which may result in an erosion of shareholder value reflected in an underperforming share price, and/ or underperforming bond prices and higher yields. In addition, the Group's ability to finance strategic opportunities or respond to threats may be impacted by limited access to funds.

Failure to achieve growth through mergers, acquisitions and joint ventures.

The Group's growth strategy includes a combination of organic growth as well as mergers, acquisitions and joint ventures. The Group may be unable to acquire attractive businesses on favourable terms and may inappropriately value or otherwise fail to identify or capitalise on growth opportunities. The Group may not be able to deliver strategic objectives and revenue improvements from business combinations, successfully integrate businesses it acquires or establishes, or obtain appropriate regulatory approvals for business

combinations. Risks from integration of businesses also include the risk that the integration may divert the Group's focus and resources from its other strategic goals.

Additionally, the Group could be exposed to financial, legal or reputational risks if it fails to appropriately consider any compliance or antitrust aspects of a transaction. Further, the Group has certain uncapped indemnification obligations in connection with divestitures and could incur similar obligations in the future.

Any of the foregoing risks could result in increased costs, decreased revenues or a loss of opportunities and have an adverse effect on the Group's results of operations and financial condition, and in the case of a breach of compliance or antitrust regulation, could lead to reputational damage, fines and potentially criminal sanctions.

The Group may become liable for claims arising in respect of conduct prior to any merger or acquisition of businesses if deemed to be a successor to the liabilities of the acquired company or indemnification claims relating to divestitures, and any resulting adverse judgment against the Group may adversely affect its results of operations and financial condition.

Please refer to the "Contingent liabilities and financial commitments" section on pages 95 to 134 for details of contingent liabilities applicable to the Group.

Unforeseen underperformance in key global markets.

A substantial majority of the Group's profit from operations is based on its operations in certain key markets, including the US. A number of these markets are declining for a variety of factors, including price increases, restrictions on advertising and promotions, smoking prevention campaigns, increased pressure from anti-tobacco groups, migration to smokeless products and private businesses adopting policies that prohibit or restrict, or are intended to discourage, smoking and tobacco use.

Economic and political factors affecting the Group's key markets include the prevailing economic climate, governmental austerity measures, levels of employment, inflation, governmental action to increase minimum wages, employment costs, interest rates, raw material costs, consumer confidence and consumer pricing.

Any change to the economic and political factors in any of the key markets in which the Group operates could affect consumer behaviour and have an impact on the Group's results of operations and financial condition.

Increases in net liabilities under the Group's retirement benefit schemes.

The Group currently maintains and contributes to defined benefit pension plans and other post-retirement benefit plans that cover various categories of employees and retirees worldwide. The Group's obligations to make contributions under these arrangements may increase in the case of increases in pension liabilities, decreases in asset returns, salary increases, inflation, decreases in long-term interest rates, increases in life expectancies, changes in population trends and other actuarial assumptions.

Higher contributions to the Group's retirement benefit schemes could have an adverse impact on the Group's results of operations, financial condition and ability to raise funds.

Adverse consequences of the UK's exit from the EU.

The consequences of the UK's exit from the EU remain uncertain and the full extent of the impact is not expected for some time, but could include reductions in the size of the UK market, down-trading as a result of affordability pressure/weakening economy in the UK, an increased cost of doing business in the UK, higher cost of capital in the UK and both transactional and translational foreign exchange impacts, disruption to supply of materials due to changed customs procedures, rules of origin requirements or duties, increased complexity and scrutiny on tax-related activities, or other changes to UK law. In addition, the UK's exit from the EU may impose restrictions on employment and cross-border movements.

Any of the consequences of the UK's exit from the EU may have a negative effect on the Group's results of operations and financial conditions. In addition, any restrictions on employment and cross-border movements may result in additional employment and hiring costs and reduce the Group's ability to attract and retain highly talented individuals from the EU in the UK.

D. Product pipeline, commercialisation and intellectual property risks

Inability to predict consumers' changing behaviours and launch innovative products that offer adult tobacco and nicotine consumers meaningful value-added differentiation.

The Group focuses its research and development activities on both creating new products, including New Category product, and maintaining and improving the quality of its existing products. In a competitive market, the Group believes that innovation is key to growth. The Group considers that one of its key challenges in the medium and long term is to provide adult tobacco and nicotine consumers with high-quality products that take into account their changing preferences and expectations, including those in relation to ESG, while complying with evolving regulation.

The Group is in the early stages of development and roll-out of its New Category portfolio which requires significant initial investment. The Group may be unsuccessful in developing and launching innovative products or maintaining and improving the quality of existing products across both combustibles and New Categories that offer consumers meaningful value-added differentiation. The Group may fail to keep pace with innovation in its sector or changes in consumer expectations and is also exposed to the risk of an inability to build a strong enough brand equity through social media and other technological tools to compete with its competitors. There are potential bans and restrictions in key markets when using social media to advertise and communicate. Competitors may be more successful in predicting changing consumer behaviour, developing and rolling out consumer-relevant products and may be able to do so more quickly and at a lower cost.

In addition, the Group devotes considerable resources to the research and development of innovative products, in particular in New Categories that may have the potential to reduce the risks of smoking-related diseases. The complex nature of research and development programmes necessary to satisfy emerging regulatory and scientific requirements creates a substantial risk that these programmes will fail to demonstrate health-related claims regarding New Categories or to achieve adult tobacco consumer, regulatory and scientific acceptance.

Furthermore, the regulatory environment impacting non-combustible tobacco products, vapour products and other non-tobacco nicotine products, including classification of products for regulatory and excise purposes, is still developing and it cannot be predicted whether regulations will permit the marketing of such New Categories in any given market in the future. Categorisation as medicines, for example, and restrictions on advertising could stifle innovation, increase complexity and costs and significantly undermine the commercial viability of these products. Alternatively, categorisation of any New Categories, as tobacco products for instance, could result in the application of onerous regulation, which could further stifle uptake.

The inability to timely develop and roll out innovations or products in line with consumer demand, including any failure to predict changes in adult tobacco consumer and societal behaviour and expectations and to fill gaps in the product portfolio, as well as the risk of poor product quality, could lead to missed opportunities, under- or over-supply, loss of competitive advantage, unrecoverable costs and/or the erosion of the Group's consumer base or brand equity.

Restrictions on packaging and labelling or on promotion and advertising could impact the Group's ability to communicate its innovations and product differences to adult tobacco consumers, leading to unsuccessful product launches. An inability to provide robust scientific results sufficient to substantiate health-related product claims poses a significant threat to the ability to launch innovative products and comply with emerging regulatory and legal regimes.

The occurrence of any of the above effects could in turn have an adverse effect on the Group's results of operations and financial condition and cause the Group to fail to deliver on its strategic growth plans.

Exposure to risks associated with intellectual property rights, including the failure to identify, protect and prevent infringement of the Group's intellectual property rights and potential infringement of, or the failure to retain licences to use, third-party intellectual property rights.

The Group relies on trademarks, patents, registered designs, copyrights and trade secrets. The brand names under which the Group's products are sold are key assets of its business. The protection and maintenance of these brand names and of the reputation of these brands is important to the Group's success. Protection of intellectual property rights is also important in connection with the Group's innovative products, including New Categories.

The Group is exposed to the risk of infringements of its intellectual property rights by third parties due to limitations in judicial protection, failure to identify, protect and register its innovations and/or inadequate enforceability of these rights in some markets in which the Group operates.

The Group currently is involved in various patent infringement litigation proceedings globally related to technology used in the Group's New Category products. This litigation involves both claims by the Group that competitors are infringing on the Group's patents and claims by competitors that the Group is infringing on competitors' patents.

Some brands and trademarks under which the Group's products are sold are licensed for a fixed period of time in certain markets. If any of these licences are terminated or not renewed after the end of the applicable term, the Group would no longer have the right to use, and to sell products under, those brand(s) and trademark(s).

In addition, as third-party rights are not always identifiable, the Group may be subject to claims for infringement of third-party intellectual property rights.

Any erosion in the value of the Group's brands, or failure to obtain or maintain adequate protection of intellectual property rights for any reason, or the loss of brands or trademarks under licence to Group companies, may have a material adverse effect on the Group's market share, results of operations and financial condition. Any inability to appropriately protect the Group's products and key innovations will also limit its growth and affect competitiveness and return on innovation investment.

Any infringement of third-party intellectual property rights could result in interim injunctions, product recalls, legal liability and the payment of damages, any of which may disrupt operations, negatively impact the Group's reputation and have an adverse effect on its results of operations and financial condition.

2. Risks related to the Securities generally

Set out below is a brief description of the material risks relating to the Securities generally:

The Issuer's obligations in respect of the Securities are subordinated

The Issuer's obligations under the Securities will be unsecured and subordinated. In the event that an order is made, or an effective resolution is passed, for the winding-up of the Issuer (otherwise than for the purposes of a solvent winding-up or substitution in place of the Issuer of a "successor in business" of the Issuer) or an administrator of the Issuer has been appointed and such administrator gives notice that it intends to declare and distribute a dividend, the claims of the Holders will rank (i) junior to the claims of Holders of all Senior Obligations, (ii) *pari passu* with the claims of Holders of all Parity Obligations and (iii) in priority to the claims of Holders of all Junior Obligations.

See "*Terms and Conditions of the NC5.25 Securities — Status of the Securities and the Coupons*", "*Terms and Conditions of the NC5.25 Securities — Subordination of the Securities and the Coupons*", "*Terms and Conditions of the NC8 Securities — Status of the Securities and the Coupons*" and "*Terms and Conditions of the NC8 Securities — Subordination of the Securities and the Coupons*".

By virtue of such subordination, the claims of Holders of all Senior Obligations will first have to be satisfied in any winding-up or analogous proceedings of the Issuer before the relevant Holders or relevant Couponholders may expect to receive from the Issuer any recovery in respect of their Securities or matured but unpaid Coupons. A Holder may therefore recover less than the Holders of unsubordinated or other subordinated liabilities of the Issuer. Furthermore, the relevant Conditions will not limit the amount of the liabilities ranking senior to, or *pari passu* with, the relevant Securities, which may be incurred or assumed by the Issuer from time to time, whether before or after the Issue Date. Subject to applicable law, no Holder may exercise, claim or plead any right of set-off, compensation or retention in respect of any amount owed to it by the Issuer in respect of, or arising under or in connection with, the relevant Securities and each Holder shall, by virtue of his holding, be deemed to have waived all such rights of set-off, compensation or retention.

Although subordinated debt securities may pay a higher rate of interest than comparable debt securities which are not subordinated, there is a real risk that an investor in subordinated securities such as the Securities will lose all or some of his investment should the Issuer become insolvent.

The Issuer has the right to defer interest payments on the Securities

The Issuer may, at its discretion, elect to defer all or part of any payment of interest on the Securities, subject to limited exceptions. See "*Terms and Conditions of the NC5.25 Securities — Optional Interest Deferral*" and "*Terms and Conditions of the NC8 Securities — Optional Interest Deferral*".

Any such deferral of interest payments shall not constitute a default under the Securities or for any other purpose unless such payments are required to be made in accordance with the relevant Condition 5(c) of the relevant Tranche and are not so paid within the applicable grace period.

Any deferral of interest payments or perceived likelihood of a future deferral of interest payments will likely have an adverse effect on the market price of the Securities of the relevant Tranche. In addition, as a result of the interest deferral provisions of the Securities, the market price of the Securities may be more volatile than the market prices of other debt securities on which original issue discount or interest accrues that are not subject to such deferrals and may be more sensitive generally to adverse changes in the Issuer's financial condition.

Limited Remedies

The only event of default in the relevant Conditions is if a default is made by the Issuer for a period of 14 days or more in relation to the payment of any principal or for a period of 21 days or more in the payment of any interest (including Deferred Interest) in respect of the relevant Tranche, which is due and payable. In the event of such a default the Trustee may institute actions, steps or proceedings for the winding-up of the Issuer and/or prove in the winding-up or administration of the Issuer and/or claim in the liquidation or administration of the Issuer for such payment.

In addition, in the event that an order is made, or an effective resolution is passed, for the winding-up of the Issuer (otherwise than for the purposes of a solvent winding-up or substitution in place of the Issuer of a "successor in business" of the Issuer) or an administrator of the Issuer is appointed and such administrator gives notice that it intends to declare and distribute a dividend, the rights and claims of the Holders and the Couponholders against the Issuer will be subordinated in the case of each Tranche in accordance with the relevant Condition 3(a) thereof. Accordingly, the claims of Holders of all Senior Obligations will first have to be satisfied in any winding-up or analogous proceedings before the relevant Holders or relevant Couponholders may expect to obtain any recovery in respect of their Securities or matured but unpaid Coupons and prior thereto

the relevant Holders and Couponholders will have only limited ability to influence the conduct of such winding-up or analogous proceedings.

The Securities will be subject to optional redemption by the Issuer including upon the occurrence of Special Events

The Securities are perpetual securities of which there is no fixed redemption date. However, the Securities of each Tranche may be redeemed, at the option of the Issuer and subject to the relevant provisions in the relevant Conditions 6 and 8, in whole but not in part on any relevant Optional Redemption Date (being (i) any Business Day from (and including) 27 September 2026 in respect of the NC5.25 Securities and 27 June 2029 in respect of the NC8 Securities to (and including) the relevant First Reset Date and (ii) each relevant Interest Payment Date thereafter), at 100 per cent. of their principal amount together with any accrued and unpaid interest up to (but excluding) the redemption date (including any accrued but unpaid Deferred Interest).

In addition, upon the occurrence of a Rating Capital Event, a Substantial Repurchase Event, a Tax Deductibility Event, an Accounting Event or a Withholding Tax Event, and subject to the relevant provisions in the relevant Conditions 6 and 8, the Issuer shall have the option to redeem, in whole but not in part, the Securities of the relevant Tranche (i) in the case of a Substantial Repurchase Event, at 100 per cent. of their principal amount, together with any accrued and unpaid interest up to (but excluding) the redemption date (including any accrued but unpaid Deferred Interest) or (ii) in the case of a Rating Capital Event, a Tax Deductibility Event, an Accounting Event or a Withholding Tax Event, their Early Redemption Amount, as applicable.

Furthermore, if a Rating Capital Event, an Accounting Event, a Tax Deductibility Event or a Withholding Tax Event occurs, then, subject to the provisions of the relevant Conditions 7 and 8, the Issuer may (without any requirement for the consent or approval of the relevant Holders or Couponholders) at any time, instead of giving notice to redeem the Securities of the relevant Tranche, substitute all, but not some only, of the Securities of such Tranche for, or vary the terms of the Securities of such Tranche so that the Securities of such Tranche remain or become, as the case may be, Qualifying Securities. Whilst Qualifying Securities are required to have terms not otherwise materially less favourable to Holders than the terms of the relevant Securities, there can be no assurance that the variation to Qualifying Securities will not have a significant adverse impact on the price of, and/or market for, the relevant Securities or the circumstances of relevant individual Holders. For example, it is possible that the Qualifying Securities will contain conditions that are contrary to the investment criteria of certain investors and the tax and stamp duty consequences of holding the Qualifying Securities could be different for some categories of Holders from the tax and stamp duty consequences for them of holding the relevant Securities prior to such substitution or variation.

The Issuer may be expected to redeem the Securities of the relevant Tranche when its cost of borrowing is lower than the interest payable on the relevant Securities. At those times, an investor generally would not be able to reinvest the redemption proceeds at an effective interest rate as high as the interest payable on the Securities of the relevant Tranche being redeemed and may only be able to do so at a significantly lower rate. Potential investors should consider reinvestment risk in light of other investments available at that time.

The current IFRS accounting classification of financial instruments such as the Securities as equity instruments may change, which may result in the occurrence of an Accounting Event.

In June 2018, the International Accounting Standards Board ("**IASB**") published the discussion paper DP/2018/1 on "Financial Instruments with Characteristics of Equity" (the "**DP/2018/1 Paper**"). During a meeting held on 16 December 2020, the IASB decided to add the "Financial Instruments with Characteristics of Equity" project to its standard-setting programme and to continue using the expertise of advisory bodies instead of establishing a dedicated consultative group for the project.

While the final timing and outcome are uncertain, if the proposals set out in the DP/2018/1 Paper are implemented, the IFRS accounting classification of financial instruments such as the Securities as equity instruments may change and this may result in the occurrence of an Accounting Event. In such an event, the Issuer will have the option to redeem, in whole but not in part, the Securities pursuant to the relevant Condition 6(e) or substitute or vary the terms of the Securities as described in the relevant Condition 7.

The implementation of any of the proposals set out in the DP/2018/1 Paper or any other similar such proposals that may be made in the future, including the extent and timing of any such implementation, if at all, is uncertain. Accordingly, no assurance can be given as to the future classification of the Securities from an accounting perspective or whether any such change may result in the occurrence of an Accounting Event.

For further description of risks related to early redemption or to substitution or variation of the Securities see also "*Modification, Waiver and Substitution*" and "*The Securities will be subject to optional redemption by the Issuer including upon the occurrence of Special Events*".

An optional redemption feature is likely to limit the market value of the Securities

During any period when the Issuer may elect to redeem or is perceived to be able to elect to redeem the Securities of the relevant Tranche, the market value of the Securities of the relevant Tranche generally will not rise substantially above the price at which they can be redeemed. This also may be true prior to any redemption period.

Modification, Waiver and Substitution

The relevant Conditions will contain provisions for calling meetings of Holders of the Securities of the relevant Tranche to consider matters affecting their interests generally or those of Couponholders. These provisions will permit defined majorities to bind all Holders of the Securities of the relevant Tranche including Holders who did not attend and vote at the relevant meetings and Holders who voted in a manner contrary to the majority.

The relevant Conditions will provide that the Trustee may, without the consent of the Holders or Couponholders, agree to (i) any modification of the relevant Conditions or of any other provisions of the relevant Trust Deed or the relevant Paying Agency Agreement which is, in the opinion of the Trustee, of a formal, minor or technical nature or is made to correct a manifest error, (ii) any other modification to (except as mentioned in the relevant Trust Deed), and any waiver or authorisation of any breach or proposed breach by the Issuer of, any of the relevant Conditions or of the provisions of the relevant Trust Deed or the relevant Paying Agency Agreement which is, in the opinion of the Trustee, not materially prejudicial to the interests of the relevant Holders and Couponholders (which will not include, for the avoidance of doubt, any provision entitling the relevant Holders to institute actions, steps or proceedings for the winding-up of the Issuer in circumstances which are more extensive than those set out in the relevant Condition 11), (iii) subject, *inter alia*, to the Trustee being satisfied that the interests of the relevant Holders and Couponholders will not be materially prejudiced by the substitution, the substitution in place of the Issuer as the principal debtor under the relevant Securities and the relevant Trust Deed of any successor in business or Holding Company of the Issuer or any other subsidiary of the Issuer, (iv) any Benchmark Amendments (as defined in the relevant Conditions) required by the Issuer pursuant to the relevant Condition 4(i).

The relevant Conditions will also provide that the Issuer may either (i) substitute all, but not some only, of the Securities for, or (ii) vary the terms of the Securities with the effect that they remain or become, as the case may be, Qualifying Securities, and the Trustee shall agree to such substitution or variation but without further responsibility or liability on the part of the Trustee, in each case upon the occurrence of a Rating Capital Event, a Tax Deductibility Event, an Accounting Event or a Withholding Tax Event and subject to the receipt by the Trustee of the certificate of the directors of the Issuer referred to in the relevant Condition 8 thereof.

Any such modification, waiver, and/or substitution may have a significant adverse impact on the price of, and/or the market for, the relevant Securities.

Future discontinuance of EURIBOR or the occurrence of a Benchmark Event may adversely affect the value of the Securities

Future discontinuance of EURIBOR and benchmark reforms

EURIBOR and any other interest rate or other types of rates and indices which are deemed to be "benchmarks" are the subject of ongoing national and international regulatory discussions and proposals for reform. Regulation (EU) 2016/1011 (the "**EU Benchmarks Regulation**") published in the Official Journal of the European Union on 29 June 2016 and applicable from 1 January 2018, could have a material impact on the Securities, in particular, if the methodology or other terms of the "benchmark" are changed in order to comply with the terms of the EU Benchmarks Regulation, and such changes could (amongst other things) have the effect of reducing or increasing the rate or level, or affecting the volatility of the published rate or level of the benchmark.

Following the implementation of any potential reforms, the manner of administration of benchmarks may change, with the result that they may perform differently than in the past, or the benchmark could be eliminated entirely, or there could be other consequences that cannot be predicted. The elimination of the EURIBOR benchmark, or changes in the manner of its administration, could require or result in an adjustment to the interest calculation provisions of the relevant Conditions, or result in adverse consequences to Holders of the relevant Securities. Furthermore, even prior to the implementation of any changes, uncertainty as to the nature of alternative reference rates and as to potential changes to such benchmark may adversely affect such benchmark during the term of the relevant Securities, the return on the relevant Securities and the trading market for securities (including the relevant Securities) based on the same benchmark.

Potential for a fixed rate return

Investors should be aware that, if EURIBOR were discontinued or otherwise unavailable, the rate of interest on the Securities for the period from (and including) the relevant Reset Date, which is based on a reset mid-swap rate, may be affected. If such rate is not available, the rate of interest on the Securities will be determined by the fall-back provisions applicable to the Securities. This may in certain circumstances result in the effective application of a fixed rate based on the rate which was last observed on the relevant Screen Page.

In addition, any changes to the administration of the applicable annualised mid-swap rate for swap transactions in euro with a term of five years as referred to in the relevant Conditions or the emergence of alternatives to such mid-swap rate as a result of these potential reforms, may cause such rate to perform differently than in the past or to be discontinued, or there could be other consequences which cannot be predicted. The potential discontinuation of such rate or changes to its administration could require changes to the way in which the relevant Reset Interest Rate is calculated on the Securities from (and including) the relevant Reset Date. Uncertainty as to the nature of alternative reference rates and as to potential changes to the relevant mid-swap rate may adversely affect the relevant Reset Interest Rate, the return on the Securities and the trading market for securities (such as the Securities) based on the same mid-swap rate. The development of alternatives to the relevant mid-swap rate may result in the Securities performing differently than would otherwise have been the case if such alternatives to the relevant mid-swap rate had not developed. Any such consequence could have a material adverse effect on the value of, and return on, the Securities.

Benchmark Events

The Conditions of each Tranche also provide for certain fall-back arrangements in the event that the Issuer determines that a Benchmark Event has occurred. The Issuer shall use its reasonable endeavours to appoint an Independent Adviser, as soon as reasonably practicable, to advise the Issuer in determining a Successor Rate,

failing which an Alternative Rate (in accordance with the relevant Condition 4(i)(ii)(b)) and, in either case, an Adjustment Spread (in accordance with the relevant Condition 4(i)(iii)) and any Benchmark Amendments (in accordance with and subject to the relevant Condition 4(i)(iv)). The use of any such Successor Rate or Alternative Rate and, in either case, the applicable Adjustment Spread, to determine the relevant Reset Interest Rate may result in the Securities performing differently (including paying a lower Reset Interest Rate than they would do if the relevant mid-swap rate were to continue to apply in its current form).

Furthermore, if a Successor Rate or Alternative Rate and, in either case, the applicable Adjustment Spread is determined by the Issuer, the Conditions of each Tranche provide that the Issuer may vary the Conditions of the relevant Securities, the Agency Agreement and/or the relevant Trust Deed, as necessary, to ensure the proper operation of such Successor Rate or Alternative Rate and (in either case) the applicable Adjustment Spread, without any requirement for consent or approval of the relevant Holders or the Couponholders.

If a Successor Rate or Alternative Rate is determined by the Issuer, the Conditions of each Tranche also provide that an Adjustment Spread will be determined by the Issuer to be applied to such Successor Rate or Alternative Rate. Accordingly, while any Adjustment Spread may be expected to be designed to eliminate or minimise any potential transfer of value between counterparties, the application of the Adjustment Spread to the Securities may not do so and may result in the relevant Securities performing differently (which may include payment of a lower interest rate) than they would do if sub-paragraph (i) of the definition of 5-year Swap Rate in the NC5.25 Conditions and 5-year Swap Rate in the NC8 Conditions were to apply. Any of the foregoing could have an adverse effect on the value or liquidity of, and return on, the relevant Securities. However, no Successor Rate or Alternative Rate will be adopted, nor any Adjustment Spread applied, nor will any Benchmark Amendments be made, if and to the extent that, in the determination of the Issuer, the same could reasonably be expected to cause a Rating Capital Event and/or an Accounting Event (as defined in the relevant Conditions) to occur.

Due to the uncertainty concerning the availability of Successor Rates and Alternative Rates, the involvement of an Independent Adviser, the potential for further regulatory developments and the fact that the provisions of the relevant Condition 4(i) will not be applied if the same could reasonably be expected to cause a Rating Capital Event and/or an Accounting Event to occur, there is a risk that the relevant fallback provisions may not operate as intended at the relevant time. Moreover, any of the above matters or any other significant change to the setting or existence of the relevant mid-swap rate could adversely affect the ability of the Issuer to meet its obligations under the Securities and could have a material adverse effect on the value or liquidity of, and the amount payable under, the Securities.

Integral multiples of less than the specified denomination

The denominations of the Securities are €100,000 and integral multiples of €1,000 in excess thereof, up to and including €199,000. Therefore, it is possible that the Securities may be traded in amounts in excess of €100,000 that are not integral multiples of €100,000. In such a case, a Holder who, as a result of trading such amounts, holds a principal amount of less than €100,000 of the Securities will not receive a Definitive Security in respect of such holding (should Definitive Securities be printed) and would need to purchase a principal amount of Securities such that it holds an amount equal to one or more denominations. If Definitive Securities are issued, relevant Holders should be aware that Definitive Securities which have a denomination that is not an integral multiple of €100,000 may be illiquid and difficult to trade. Except in circumstances set out in the relevant Global Security, investors will not be entitled to receive Definitive Securities.

Change of law

The relevant Conditions will be based on English law in effect as at the Issue Date. No assurance can be given as to the impact of any possible judicial decision or change to English law or administrative practice after the date of the issue of the Securities.

3. Risks related to the market generally

Set out below is a brief description of certain market risks, including liquidity risk, exchange rate risk, interest rate risk and credit risk which are specifically relevant to the Securities:

The secondary market generally

Although application will be made to admit the Securities of each Tranche to trading on the Market, the Securities of each Tranche may have no established trading market when issued, and one may never develop. If a market does develop, it may not be liquid. Therefore, investors may not be able to sell their Securities easily or at prices that will provide them with a yield comparable to similar investments that have a developed secondary market. This is particularly the case for Securities that are especially sensitive to interest rate, currency or market risks, are designed for specific investment objectives or strategies or have been prepared to meet the investment requirements of limited categories of investors. These types of Securities generally would have a more limited secondary market and more price volatility than conventional debt securities. Illiquidity may have a severely adverse effect on the market value of Securities.

Exchange rate risks and exchange controls

The Issuer will pay principal and interest on the Securities in euro. This presents certain risks relating to currency or currency unit conversions if an investor's financial activities are denominated principally in a currency or a currency unit (the "**Investor's Currency**") other than euro. These include the risk that exchange rates may significantly change (including changes due to devaluation of euro or revaluation of the Investor's Currency) and the risk that authorities with jurisdiction over the Investor's Currency may impose or modify exchange controls. An appreciation in the value of the Investor's Currency relative to euro would decrease (1) the Investor's Currency equivalent yield on the relevant Securities, (2) the Investor's Currency equivalent value of the principal payable on the relevant Securities and (3) the Investor's Currency equivalent market value of the relevant Securities.

Government and monetary authorities may impose (as some have done in the past) exchange controls that could adversely affect an applicable exchange rate. As a result, investors may receive less interest or principal than expected, or no interest or principal.

Interest rate risks

Investment in the Securities involves the risk that changes in market interest rates during the life of the Securities (for example, if the prevailing bank interest rate in the relevant investor's jurisdiction were to increase), could result in the rate of interest for the time being payable under the terms of the Securities becoming relatively less attractive which may in turn adversely affect the value of the Securities.

Credit ratings may not reflect all risks

The credit ratings assigned to the Securities may not reflect the potential impact of all risks related to structure, market, additional factors discussed above, and other factors that may affect the value of the Securities. A credit rating is not a recommendation to buy, sell or hold Securities and may be revised or withdrawn by the rating agency at any time.

TERMS AND CONDITIONS OF THE NC5.25 SECURITIES

The following, except for paragraphs in italics, are the terms and conditions of the NC5.25 Securities which will be endorsed on each NC5.25 Security in definitive form (if issued).

The issue of the €1,000,000,000 Perpetual Subordinated Fixed-to-Reset Rate Non-Call 5.25 Year Securities (the "**Securities**", which expression shall, unless the context otherwise requires, include any further securities issued pursuant to Condition 18 and forming a single series with the Securities) of British American Tobacco p.l.c. (the "**Issuer**") was authorised by resolutions of the board of directors of the Issuer passed on 25 February 2020 and 27 July 2021 and by a resolution of the transactions committee of the board of directors of the Issuer passed on 5 August 2021. The Securities are constituted by a trust deed (as amended and/or supplemented and/or restated from time to time, the "**Trust Deed**") dated 27 September 2021 between the Issuer and The Law Debenture Trust Corporation p.l.c. (the "**Trustee**", which expression shall include all persons for the time being the trustee or trustees under the Trust Deed) as trustee for the holders of the Securities (the "**Holders**"). These terms and conditions (the "**Conditions**") include summaries of, and are subject to, the detailed provisions of the Trust Deed, which includes the forms of the Securities, of the interest coupons (the "**Coupons**", which expression includes, where the context so permits, talons for further Coupons (the "**Talons**")), of the Talons appertaining to Securities in definitive form. Copies of (i) the Trust Deed and (ii) the paying agency agreement (as amended and/or supplemented and/or restated from time to time, the "**Paying Agency Agreement**") dated 27 September 2021 relating to the Securities between the Issuer, Citibank, N.A., London Branch as the initial principal paying agent and calculation agent (the "**Principal Paying Agent**" and the "**Calculation Agent**", which expressions shall include any successors thereto) and the other initial paying agent named therein (together with the Principal Paying Agent, the "**Paying Agents**", which expression shall include the Paying Agents for the time being) and the Trustee are available for inspection by prior arrangement during usual business hours at the principal office of the Trustee and at the specified offices of each of the Paying Agents. The Holders and the holders of the Coupons (whether or not attached to the Securities) (the "**Couponholders**") are entitled to the benefit of, are bound by, and are deemed to have notice of, all the provisions of the Trust Deed, and are deemed to have notice of those provisions applicable to them of the Paying Agency Agreement.

1 Form, Denomination and Title

(a) Form and Denomination

The Securities are serially numbered and in bearer form in the denominations of €100,000 and integral multiples of €1,000 in excess thereof up to and including €199,000, each with Coupons and one Talon attached on issue. No definitive Securities will be issued with a denomination above €199,000. Securities of one denomination may not be exchanged for Securities of any other denomination.

(b) Title

Title to the Securities, Coupons and each Talon passes by delivery. The holder of any Security, Coupon or Talon will (except as ordered by a court of competent jurisdiction or as otherwise required by law) be treated as its absolute owner for all purposes (whether or not it is overdue and regardless of any notice of ownership, trust or any interest in it, any writing on it, or its theft or loss) and no person will be liable for so treating the holder.

2 Status of the Securities and the Coupons

The Securities and Coupons constitute direct, unsecured and subordinated obligations of the Issuer and rank *pari passu* and without any preference or priority among themselves and *pari passu* with any Parity Obligations.

The rights and claims of the Holders in respect of the Securities and the Couponholders in respect of the Coupons, in each case against the Issuer are subordinated as described in Condition 3 and the Trust Deed.

3 Subordination of the Securities and the Coupons

(a) General

In the event of:

(i) an order being made, or an effective resolution being passed, for the winding-up of the Issuer (except, in any such case, a solvent winding-up solely for the purposes of a reorganisation, reconstruction or amalgamation or the substitution in place of the Issuer of a "successor in business" (as defined in Condition 22) of the Issuer, (A) (x) the terms of which reorganisation, reconstruction, amalgamation or substitution have previously been approved in writing by the Trustee or by an Extraordinary Resolution (as defined in the Trust Deed) or (y) which substitution will be effected in accordance with Condition 14; and (B) in each case the terms of which do not provide that the Securities shall thereby become redeemable or repayable in accordance with these Conditions); or

(ii) an administrator of the Issuer being appointed and such administrator giving notice that it intends to declare and distribute a dividend,

there shall be payable by the Issuer in respect of each Security and matured but unpaid Coupon (including any accrued but unpaid Deferred Interest in respect of such Coupon), in lieu of any other payment by the Issuer, such amounts, if any, as would have been payable to the Holder of such Security and to such Couponholder if, on the day prior to the commencement of the winding-up or such administration, as the case may be, and thereafter, such Holder and Couponholder were the holder of one of a class of preference shares in the capital of the Issuer ("**Notional Preference Shares**") having an equal right to a return of assets in the winding-up or such administration, as the case may be, and so ranking *pari passu* with, the holders of that class or classes of preference shares (if any) which have a preferential right to a return of assets in the winding-up over, and so rank ahead of, the holders of all Junior Obligations, but ranking junior to the claims of holders of all Senior Obligations (except as otherwise provided by mandatory provisions of law), on the assumption that the amounts that such Holder and Couponholder were entitled to receive in respect of each Notional Preference Share on a return of assets in such winding-up or such administration, as the case may be, were, in the case of a Security and its Holder, an amount equal to the principal amount of the relevant Security and, in the case of a Coupon and its Couponholder, any accrued and unpaid interest represented by such Coupon (including any accrued but unpaid Deferred Interest in respect of such Coupon) (and, in the case of an administration, on the assumption that shareholders were entitled to claim and recover in respect of their shares to the same degree as in a winding-up).

Accordingly, the claims of holders of all Senior Obligations will first have to be satisfied in any winding-up or analogous proceedings of the Issuer before the Holders or Couponholders may expect to obtain from the Issuer any recovery in respect of their Securities or matured but unpaid Coupons (including any accrued but unpaid Deferred Interest in respect of such Coupons), as the case may be, and prior thereto any Holder or Couponholder will have only limited ability to influence the conduct of such winding-up or analogous proceedings. See "Risk Factors – Risks related to the Securities generally – Limited Remedies".

(b) Set-off

Subject to applicable law, no Holder or Couponholder may exercise, claim or plead any right of set-off, compensation or retention in respect of any amount owed to it by the Issuer in respect of, or arising under or in connection with the Securities or the Coupons and each Holder and Couponholder shall, by virtue of his holding of any Security or Coupon, be deemed to have waived all such rights of set-off, compensation or retention.

4 Interest Payments

(a) Interest Payment Dates

The Securities bear interest on their principal amount at the applicable Interest Rate from (and including) 27 September 2021 (the "**Issue Date**") in accordance with the provisions of this Condition 4.

Subject to Condition 5, interest shall be payable on the Securities annually in arrear on 27 December in each year (each an "**Interest Payment Date**"), as provided in this Condition 4, except that the first payment of interest, to be made on 27 December 2021, will be in respect of the period from (and including) the Issue Date to (but excluding) 27 December 2021.

(b) Interest Accrual

The Securities (and any unpaid amounts thereon) will cease to bear interest from (and including) the date of redemption thereof pursuant to the relevant paragraph of Condition 6 or the date of substitution or variation thereof pursuant to Condition 7, as the case may be, unless, upon due presentation, payment of all unpaid amounts in respect of the Securities is not made, in which event interest shall continue to accrue in respect of the principal amount of, and any other unpaid amounts on, the Securities, both before and after judgment, and shall be payable, as provided in these Conditions up to (but excluding) the Relevant Date.

Save as provided in Condition 4(c), where it is necessary to compute an amount of interest in respect of any Security for a period which is less than or equal to a complete year, such interest shall be calculated on the basis of the actual number of days in the period from (and including) the most recent Interest Payment Date (or if none, the Issue Date) to (but excluding) the relevant payment date divided by the actual number of days in the Interest Period in which the relevant period falls (including the first such day but excluding the last) (or, in respect of interest accruing during the first Interest Period, by the actual number of days in the period from (and including) 27 December 2020 to (but excluding) 27 December 2021 (the "**day-count fraction**"). Where it is necessary to compute an amount of interest in respect of any Security for a period of more than one year, such interest shall be the aggregate of the interest computed in respect of a full year plus the interest computed in respect of the remaining period calculated in the manner as aforesaid.

Interest in respect of any Security shall be calculated per €1,000 in principal amount thereof (the "**Calculation Amount**"). The amount of interest calculated per Calculation Amount for any period shall, save as provided in Condition 4(c), be equal to the product of the relevant Interest Rate, the Calculation Amount and the day-count fraction, rounding the resulting figure to the nearest cent (half a cent being rounded upwards). The amount of interest payable in respect of each Security shall be the aggregate of the amounts (determined in the manner provided above) for each Calculation Amount comprising the denomination of such Security without any further rounding.

(c) Initial Interest Rate

The Interest Rate in respect of each Interest Period ending on or before the First Reset Date is 3.000 per cent. per annum (the "**Initial Interest Rate**"). Subject to Condition 5, the Interest Payment in respect of each such Interest Period will amount to €30 per Calculation Amount. Subject to Condition 5, the first payment of interest, to be made on 27 December 2021, will be in respect of the period from (and including) the Issue Date to (but excluding) 27 December 2021 and will amount to €7.48 per Calculation Amount.

(d) Reset Interest Rates

The Interest Rate in respect of each Interest Period falling in a Reset Period shall be the aggregate of the relevant Margin and the relevant 5-year Swap Rate for such Reset Period, all as determined by the Calculation Agent (each a "**Reset Interest Rate**").

(e) Determination of Reset Interest Rates and Calculation of Interest Amounts

The Calculation Agent will, as soon as practicable after 11.00 hours (Frankfurt time) on each Reset Interest Determination Date, determine the Reset Interest Rate in respect of the relevant Reset Period and calculate the amount of interest payable in respect of a Calculation Amount on each Interest Payment Date falling in the period from (but excluding) such relevant Reset Date to (and including) the next Reset Date (the "**Interest Amount**").

(f) Publication of Reset Interest Rates and Interest Amounts

Unless the Securities are to be redeemed on or prior to the First Reset Date, the Issuer shall cause notice of each Reset Interest Rate and the related Interest Amount per Calculation Amount to be given to the Trustee, the Paying Agents, any stock exchange on which the Securities are for the time being listed or admitted to trading and, in accordance with Condition 17, the Holders, in each case as soon as practicable after its determination but in any event not later than the fourth Business Day thereafter.

(g) Calculation Agent and Reference Banks

Unless the Securities are to be redeemed on or prior to the First Reset Date, the Issuer will, no later than fourteen days before the first Reset Interest Determination Date, appoint and thereafter maintain a Calculation Agent.

The Issuer may, with the prior written approval of the Trustee, from time to time replace the Calculation Agent with another independent financial institution. If the Calculation Agent is unable or unwilling to continue to act as the Calculation Agent or fails to determine a Reset Interest Rate or calculate the related Interest Amount or effect the required publication thereof (in each case as required pursuant to these Conditions), the Issuer shall forthwith appoint another independent financial institution approved in writing by the Trustee to act as such in its place. The Calculation Agent may not resign its duties or be removed without a successor having been appointed as aforesaid.

(h) Determinations of Calculation Agent Binding

All notifications, opinions, determinations, certificates, calculations, quotations and decisions given, expressed, made or obtained for the purposes of this Condition 4 by the Calculation Agent shall (in the absence of manifest error) be binding on the Issuer, the Calculation Agent, the Trustee, the Paying Agents and all Holders and Couponholders and (in the absence of wilful default, bad faith or manifest error) no liability to the Holders, the Couponholders or the Issuer shall attach to the Calculation Agent in connection with the exercise or non-exercise by it of any of its powers, duties and discretions.

(i) Benchmark Event

(i) Independent Adviser

Notwithstanding the provisions above in this Condition 4, if the Issuer determines that a Benchmark Event occurs in relation to the Original Reference Rate when any Reset Interest Rate (or any component part thereof) remains to be determined by reference to the Original Reference Rate, the Issuer shall use its reasonable endeavours to appoint an Independent Adviser, as soon as reasonably practicable, to advise the Issuer in determining a Successor Rate, failing which an Alternative Rate (in accordance with Condition 4(i)(ii)(b)) and, in either case, an Adjustment Spread (in accordance with and subject to Condition 4(i)(iii)) and any Benchmark Amendments (in accordance with Condition 4(i)(iv)).

In advising the Issuer, the Independent Adviser appointed pursuant to this Condition 4(i)(i) shall act in good faith as an expert. In the absence of bad faith or fraud, the Independent Adviser shall have no liability whatsoever to the Issuer, the Trustee, the Paying Agents, the Holders or the Couponholders for any determination made by it or for any advice given to the Issuer in connection with any determination made by the Issuer pursuant to this Condition 4(i).

If, following the occurrence of a Benchmark Event (x) the Issuer is unable to appoint an Independent Adviser; or (y) the Issuer fails to determine a Successor Rate or, failing which, an Alternative Rate in accordance with this Condition 4(i), in each case prior to the Reset Interest Determination Date in respect of a Reset Period, the 5-year Swap Rate applicable to each Interest Period ending during that Reset Period shall be equal to the last annualised mid-swap rate with a term of five years displayed on the Reset Screen Page as determined by the Calculation Agent. For the avoidance of doubt, this paragraph shall apply to the next succeeding Reset Period only, and any subsequent Reset Periods are subject to the subsequent operation of, and to adjustment as provided in, the first paragraph of this Condition 4(i).

(ii) Successor Rate or Alternative Rate

If the Issuer, following consultation with the Independent Adviser, determines that:

(a) there is a Successor Rate, then such Successor Rate and (subject to Condition 4(i)(iii)) the applicable Adjustment Spread shall subsequently be used in place of the Original Reference Rate to determine the Reset Interest Rate (or the relevant component part thereof) for all relevant future payments of interest on the Securities from the end of the then current Reset Period onwards (subject to the subsequent operation of this Condition 4(i)); or

(b) there is no Successor Rate but that there is an Alternative Rate, then such Alternative Rate and (subject to Condition 4(i)(iii)) the applicable Adjustment Spread shall subsequently be used in place of the Original Reference Rate to determine the Reset Interest Rate (or the relevant component part thereof) for all relevant future payments of interest on the Securities from the end of the then current Reset Period onwards (subject to the subsequent operation of this Condition 4(i)).

(iii) Adjustment Spread

The Adjustment Spread (or the formula or methodology for determining the Adjustment Spread) shall be applied (subject to the proviso in the following sentence) to the Successor Rate or the Alternative Rate (as the case may be). If the Issuer, following consultation with the Independent Adviser and acting in good faith and in a commercially reasonable manner, is unable to determine the quantum of, or a formula or methodology for determining, such Adjustment Spread, then the Successor Rate or Alternative Reference Rate (as applicable) will apply without an Adjustment Spread.

(iv) Benchmark Amendments

If any Successor Rate or Alternative Rate and, in either case (subject to Condition 4(i)(iii)), the applicable Adjustment Spread is determined in accordance with this Condition 4(i) and the Issuer, following consultation with the Independent Adviser and acting in good faith and in a commercially reasonable manner, determines (a) that amendments to these Conditions, the Agency Agreement and/or the Trust Deed are necessary to ensure the proper operation of such Successor Rate or Alternative Rate and/or (in either case) the applicable Adjustment Spread (such amendments, the "**Benchmark Amendments**") and (b) the terms of the Benchmark Amendments, then the Issuer shall, subject to giving notice thereof in accordance with Condition 4(i)(v), without any requirement for the consent or approval of Holders or the Couponholders, vary these Conditions, the Agency Agreement and/or the Trust Deed to give effect to such Benchmark Amendments with effect from the date specified in such notice.

At the request of the Issuer, but subject to receipt by the Trustee of a certificate signed by one director of the Issuer pursuant to Condition 4(i)(v), the Trustee shall (at the request and expense of the Issuer), without any requirement for the consent or approval of the Holders or the Couponholders, be obliged to concur with the Issuer in effecting any Benchmark Amendments (including, *inter alia*, by the execution of a supplement to or document amending the Agency Agreement and/or the Trust Deed) and the Trustee shall not be liable to any party for any consequence thereof, provided that the Trustee shall not be obliged so to concur if in the opinion of the Trustee doing so would impose more onerous obligations upon it or expose it to any additional duties, responsibilities or liabilities or reduce or amend the rights and/or the protective provisions afforded to the Trustee in these Conditions, the Agency Agreement or the Trust Deed (including, for the avoidance of doubt, any supplemental agency agreement or supplemental trust deed) in any way.

In connection with any such variation in accordance with this Condition 4(i)(iv), the Issuer shall comply with the rules of any stock exchange on which the Securities are for the time being listed or admitted to trading.

Notwithstanding any other provision of this Condition 4(i), no Successor Rate or Alternative Rate will be adopted, nor any Adjustment Spread applied, nor will any Benchmark Amendments be made, if and to the extent that, in the determination of the Issuer, the same could reasonably be expected to cause a Rating Capital Event and/or an Accounting Event to occur.

(v) Notices, etc.

Any Successor Rate, Alternative Rate, Adjustment Spread and the specific terms of any Benchmark Amendments determined under this Condition 4(i) will be notified promptly by

the Issuer to the Trustee, the Agents and, in accordance with Condition 17, the Holders. Such notice shall be irrevocable and shall specify the effective date of the Benchmark Amendments, if any.

No later than notifying the Trustee of the same, the Issuer shall deliver to the Trustee and the Agents a certificate signed by one director of the Issuer:

(I) confirming (a) that a Benchmark Event has occurred, (b) the Successor Rate or, as the case may be, the Alternative Rate, (c) the applicable Adjustment Spread and (d) the specific terms of the Benchmark Amendments (if any), in each case as determined in accordance with the provisions of this Condition 4(i); and

(II) certifying that the Benchmark Amendments (if any) are necessary to ensure the proper operation of such Successor Rate or Alternative Rate and (in either case) the applicable Adjustment Spread.

The Trustee and the Agents shall be entitled to rely on such certificate (without liability to any person) as sufficient evidence thereof. The Successor Rate or Alternative Rate and the Adjustment Spread and the Benchmark Amendments (if any) specified in such certificate will (in the absence of manifest error or bad faith in the determination of the Successor Rate or Alternative Rate and the Adjustment Spread and the Benchmark Amendments (if any) and without prejudice to the Trustee's ability to rely on such certificate as aforesaid) be binding on the Issuer, the Trustee, the Agents, the Holders and the Couponholders.

(vi) Survival of Original Reference Rate

Without prejudice to the obligations of the Issuer under Conditions 4(i)(i), (ii), (iii) and (iv), the Original Reference Rate and the fallback provisions provided for in Condition 4(d) and the related definitions will continue to apply unless and until the Issuer determines that a Benchmark Event has occurred and the Trustee and Agents have been notified of the Successor Rate or the Alternative Rate (as the case may be) and the Adjustment Spread and any Benchmark Amendments in accordance with this Condition 4(i).

(vii) Definitions

As used in this Condition 4(i):

"**Adjustment Spread**" means either (x) a spread (which may be positive, negative or zero), or (y) a formula or methodology for calculating a spread, in each case to be applied (subject to Condition 4(i)(iii)) to the Successor Rate or the Alternative Rate (as the case may be) and is the spread, formula or methodology which:

(I) in the case of a Successor Rate, is formally recommended in relation to the replacement of the Original Reference Rate with the Successor Rate by any Relevant Nominating Body;

(II) if no such recommendation has been made, or in the case of an Alternative Rate, the Issuer, following consultation with the Independent Adviser, determines, is customarily applied to the relevant Successor Rate or the Alternative Rate (as the case may be) in international debt capital markets transactions to produce an industry-accepted replacement rate for the Original Reference Rate; or

(III) if neither (I) nor (II) above applies, the Issuer, following consultation with the Independent Adviser, determines, is recognised or acknowledged as being the

industry standard for over-the-counter derivative transactions which reference the Original Reference Rate, where such rate has been replaced by the Successor Rate or the Alternative Rate (as the case may be).

"**Alternative Rate**" means an alternative benchmark or screen rate which the Issuer, following consultation with the Independent Adviser, determines in accordance with Condition 4(i)(ii) is customarily applied in international debt capital markets transactions for the purposes of determining resettable rates of interest (or the relevant component part thereof) for a reset period of comparable duration and in euro or, if the Issuer (following consultation with the Independent Adviser) determines that there is no such rate, such other rate as the Issuer, following consultation with the Independent Adviser and acting in good faith and in a commercially reasonable manner, determines in its discretion is most comparable to the Original Reference Rate.

"**Benchmark Amendments**" has the meaning given to it in Condition 4(i)(iv).

"**Benchmark Event**" means:

(I) the Original Reference Rate ceasing to be published for a period of at least five Business Days or ceasing to exist; or

(II) a public statement by the administrator of the Original Reference Rate that it has ceased or that it will cease publishing the Original Reference Rate permanently or indefinitely (in circumstances where no successor administrator has been appointed that will continue publication of the Original Reference Rate); or

(III) a public statement by the supervisor of the administrator of the Original Reference Rate that the Original Reference Rate has been or will be permanently or indefinitely discontinued; or

(IV) a public statement by the supervisor of the administrator of the Original Reference Rate as a consequence of which the Original Reference Rate will be prohibited from being used either generally, or in respect of the Securities; or

(V) a public statement by the supervisor of the administrator of the Original Reference Rate that, in the view of such supervisor, the Original Reference Rate is no longer representative of an underlying market; or

(VI) it has become unlawful for any Agent or the Issuer to calculate any payments due to be made to any Holder or Couponholder using the Original Reference Rate,

provided that the Benchmark Event shall be deemed to occur (a) in the case of sub-paragraphs (II) and (III) above, on the date of the cessation of publication of the Original Reference Rate or the discontinuation of the Original Reference Rate, as the case may be, (b) in the case of sub-paragraph (IV) above, on the date of the prohibition of use of the Original Reference Rate and (c) in the case of sub-paragraph (V) above, on the date with effect from which the Original Reference Rate will no longer be (or will be deemed by the relevant supervisor to no longer be) representative of its relevant underlying market and which is specified in the relevant public statement, and, in each case, not the date of the relevant public statement.

"**Independent Adviser**" means an independent financial institution of international repute or an independent financial adviser, in each case, with appropriate expertise in capital

markets appointed by the Issuer at its own expense under Condition 4(i)(i) and notified in writing to the Trustee and the Agents.

"**Original Reference Rate**" means the 5-year Swap Rate (or any component part thereof).

"**Relevant Nominating Body**" means, in respect of a benchmark or screen rate (as applicable):

(I) the central bank for the currency to which the benchmark or screen rate (as applicable) relates, or any central bank or other supervisory authority which is responsible for supervising the administrator of the benchmark or screen rate (as applicable); or

(II) any working group or committee sponsored by, chaired or co-chaired by or constituted at the request of (a) the central bank for the currency to which the benchmark or screen rate (as applicable) relates, (b) any central bank or other supervisory authority which is responsible for supervising the administrator of the benchmark or screen rate (as applicable), (c) a group of the aforementioned central banks or other supervisory authorities or (d) the Financial Stability Board or any part thereof.

"**Successor Rate**" means a successor to or replacement of the Original Reference Rate which is formally recommended by any Relevant Nominating Body.

5 Optional Interest Deferral

(a) Deferral of Interest Payments

The Issuer may, at its discretion, elect to defer all or part of any Interest Payment (any such deferred Interest Payment, a "**Deferred Interest Payment**") which is otherwise scheduled to be paid on an Interest Payment Date by giving notice (a "**Deferral Notice**") of such election to the Holders in accordance with Condition 17, the Trustee and the Principal Paying Agent not more than 30 nor less than 5 Business Days prior to the relevant Interest Payment Date. Subject to Condition 5(c), if the Issuer elects not to make all or part of any Interest Payment on an Interest Payment Date in accordance with this Condition 5(a), then it will not have any obligation to pay such interest on the relevant Interest Payment Date and any such non-payment of interest will not constitute a default or any other breach by the Issuer of its obligations under the Securities or for any other purpose.

Any Deferred Interest Payment shall itself bear interest (such further interest, together with the Deferred Interest Payment, being "**Deferred Interest**"), at the Interest Rate prevailing from time to time, from (and including) the date on which (but for such deferral) the relevant Deferred Interest Payment would otherwise have been due to be made to (but excluding) the relevant Deferred Interest Settlement Date (as defined below) or, as appropriate, such other date on which such Deferred Interest Payment is paid in accordance with Condition 5(c), in each case such further interest being compounded on each Interest Payment Date.

Non-payment of Deferred Interest (or part thereof) shall not constitute a default by the Issuer under the Securities or for any other purpose, unless such payment is required in accordance with Condition 5(c).

(b) Optional payment of Deferred Interest

Deferred Interest may be paid at the option of the Issuer in whole or in part at any time (the "**Deferred Interest Settlement Date**") following delivery of a notice to such effect given by the Issuer to the

Holders in accordance with Condition 17, the Trustee and the Principal Paying Agent not more than 30 nor less than 5 Business Days prior to the relevant Deferred Interest Settlement Date informing them of its election to so settle such Deferred Interest (or part thereof) and specifying the relevant Deferred Interest Settlement Date.

(c) Mandatory payment of Deferred Interest

Notwithstanding the preceding provisions of this Condition 5, the Issuer shall pay any accrued but unpaid Deferred Interest, in whole but not in part, on the first occurring Mandatory Settlement Date following the Interest Payment Date on which a Deferred Interest Payment first arose.

6 Redemption

(a) No Fixed Redemption Date

The Securities are perpetual securities in respect of which there is no fixed redemption date and the Issuer shall only have the right to redeem or repurchase them in accordance with this Condition 6.

(b) Issuer's Call Option

The Issuer may, having given not less than 10 nor more than 30 days' notice to the Trustee, the Principal Paying Agent and, in accordance with Condition 17, the Holders (which notice shall be irrevocable), redeem all, but not some only, of the Securities on any Optional Redemption Date at 100 per cent. of their principal amount together with any accrued and unpaid interest up to (but excluding) the redemption date (including any accrued but unpaid Deferred Interest).

(c) Redemption following a Tax Deductibility Event or Withholding Tax Event

If a Tax Deductibility Event or a Withholding Tax Event has occurred and is continuing, then the Issuer may, having given not less than 10 nor more than 30 days' notice to the Trustee, the Principal Paying Agent and, in accordance with Condition 17, the Holders (which notice shall be irrevocable) and subject to Condition 8, redeem all, but not some only, of the Securities at any time at their Early Redemption Amount; provided, however, that, in the case of a Withholding Tax Event, (1) no such notice of redemption will be given earlier than 90 days prior to the earliest date on which the Issuer would be obliged to pay any Additional Amounts were a payment in respect of the Securities then due and (2) at the time such notice of redemption is given, such obligation to pay such Additional Amounts remains in effect. Upon the expiry of such notice, the Issuer shall redeem the Securities.

(d) Redemption following a Rating Capital Event

If a Rating Capital Event has occurred and is continuing, then the Issuer may, having given not less than 10 nor more than 30 days' notice to the Trustee, the Principal Paying Agent and, in accordance with Condition 17, the Holders (which notice shall be irrevocable) and subject to Condition 8, redeem all, but not some only, of the Securities at any time at their Early Redemption Amount. Upon the expiry of such notice, the Issuer shall redeem the Securities.

(e) Redemption following an Accounting Event

If an Accounting Event has occurred and is continuing, then the Issuer may, subject to having given not less than 10 nor more than 30 days' notice to the Trustee, the Principal Paying Agent and, in accordance with Condition 17, the Holders (which notice shall be irrevocable) and subject to Condition 8, redeem in accordance with these Conditions all, but not some only, of the Securities at any time at their Early Redemption Amount. Upon the expiry of such notice, the Issuer shall redeem the Securities.

(f) Redemption following a Substantial Repurchase Event

If a Substantial Repurchase Event has occurred, then the Issuer may, having given not less than 10 nor more than 30 days' notice to the Trustee, the Principal Paying Agent and, in accordance with Condition 17, the Holders (which notice shall be irrevocable) and subject to Condition 8, redeem all, but not some only, of the Securities at any time at 100 per cent. of their principal amount, together with any accrued and unpaid interest up to (but excluding) the redemption date (including any accrued but unpaid Deferred Interest). Upon the expiry of such notice, the Issuer shall redeem the Securities.

7 Substitution or Variation

If a Rating Capital Event, an Accounting Event, a Tax Deductibility Event or a Withholding Tax Event has occurred and is continuing, then the Issuer may, subject to Condition 8 (without any requirement for the consent or approval of the Holders or Couponholders) and subject to its having satisfied the Trustee immediately prior to the giving of any notice referred to herein that the provisions of this Condition 7 have been complied with, and having given not less than 10 nor more than 30 days' notice to the Trustee, the Principal Paying Agent and, in accordance with Condition 17, the Holders (which notice shall be irrevocable), at any time either (i) substitute all, but not some only, of the Securities for, or (ii) vary the terms of the Securities with the effect that they remain or become, as the case may be, Qualifying Securities, and the Trustee shall (subject to the following provisions of this Condition 7 and subject to the receipt by it of the certificate of a director of the Issuer referred to in Condition 8 below) agree to such substitution or variation but without further responsibility or liability on the part of the Trustee.

Upon expiry of such notice, the Issuer shall either vary the terms of or, as the case may be, substitute the Securities in accordance with this Condition 7.

In connection therewith, any accrued but unpaid Deferred Interest will be satisfied in full in accordance with the provisions of Condition 5(c).

The Trustee shall, without any requirement for the consent or approval of the Holders or Couponholders, execute any documents necessary to effect the substitution of the Securities for, or the variation of the terms of the Securities so that they remain, or as the case may be, become, Qualifying Securities, provided that the Trustee shall not be obliged to execute such documents if, in the Trustee's opinion, doing so would impose more onerous obligations upon it or would expose it to additional duties, responsibilities or liabilities or reduce or amend its rights and/or protections. If the Trustee does not execute any necessary documents as provided above, the Issuer may redeem the Securities as provided in Condition 6.

In connection with any substitution or variation in accordance with this Condition 7, the Issuer shall comply with the rules of any stock exchange on which the Securities are for the time being listed or admitted to trading.

Any such substitution or variation in accordance with the foregoing provisions shall not be permitted if any such substitution or variation would give rise to a Special Event (other than a Substantial Repurchase Event) with respect to the Securities or the Qualifying Securities.

8 Preconditions to Special Event Redemption, Substitution and Variation

Prior to the publication of any notice of redemption pursuant to Condition 6 (other than redemption pursuant to Condition 6(b)) or any notice of substitution or variation pursuant to Condition 7, the Issuer shall deliver to the Trustee a certificate signed by one director of the Issuer stating that the relevant requirement or circumstance giving rise to the right to redeem, substitute or vary is satisfied, and where the relevant Special Event requires measures reasonably available to the Issuer to be taken, the relevant Special Event cannot be avoided by the Issuer taking such measures. In relation to a substitution or variation pursuant to Condition 7, such certificate

shall also include further certifications that the terms of the Qualifying Securities are not materially less favourable to Holders than the terms of the Securities, that such determination was reached by the Issuer in consultation with an independent financial institution of international repute or an independent financial adviser or a counsel of international standing, in each case, with appropriate expertise in capital markets appointed by the Issuer at its own expense and that the criteria specified in paragraphs (a) to (i) of the definition of Qualifying Securities will be satisfied by the Qualifying Securities upon issue. The Trustee shall be entitled to accept such certificate without any inquiry or liability as sufficient evidence of the satisfaction of the conditions precedent set out in such paragraphs, in which event it shall be conclusive and binding on the Holders and the Couponholders.

Any redemption of the Securities in accordance with Condition 6 or any substitution or variation of the Securities in accordance with Condition 7 shall be conditional on all accrued but unpaid Deferred Interest being paid in full in accordance with the provisions of Condition 5 on or prior to the date of such redemption, substitution or, as the case may be, variation, together with any accrued and unpaid interest up to (but excluding) such redemption, substitution or, as the case may be, variation date.

The Trustee is under no obligation to ascertain whether any Special Event or any event which could lead to the occurrence of, or could constitute, any such Special Event has occurred, and will not be responsible to Holders for any loss arising from any failure by the Trustee to so ascertain the occurrence of such an event, and unless and until it shall have express written notice pursuant to the Trust Deed to the contrary, the Trustee may assume that no such Special Event or such other event has occurred.

9 Purchases and Cancellation

(a) Purchases

Each of the Issuer and its Subsidiaries may at any time purchase or procure others to purchase beneficially for its account Securities in any manner and at any price. In each case, purchases will be made together with all unmatured Coupons and Talons appertaining thereto.

(b) Cancellation

All Securities redeemed or substituted by the Issuer pursuant to Condition 6 or 7, as the case may be, (together with all unmatured Coupons and unexchanged Talons relating thereto) will forthwith be cancelled. All Securities purchased by or on behalf of the Issuer or any of its Subsidiaries may, at the option of the Issuer, be held, reissued, resold or surrendered for cancellation (together with all unmatured Coupons and all unexchanged Talons attached to them) to a Paying Agent. Securities held by the Issuer and/or any of its Subsidiaries shall not entitle the holder to vote at any meeting of Holders and shall not be deemed to be outstanding for the purposes of calculating quorums at meetings of Holders or for any other purpose specified in Condition 14.

10 Payments

(a) Method of Payment

(i) Payments of principal and interest will be made against presentation and surrender of Securities or the appropriate Coupons (as the case may be) at the specified office of any of the Paying Agents except that payments of interest in respect of any period not ending on an Interest Payment Date will only be made against presentation and either surrender or endorsement (as appropriate) of the Securities. Such payments will be made by transfer to a euro account maintained by the payee with a bank in a city in which banks have access to the Target System.

(ii) Upon the due date for redemption of any Security, unmatured Coupons relating to such Security (whether or not attached) shall become void and no payment shall be made in respect of them. Where any Security is presented for redemption without all unmatured Coupons relating to it, redemption shall be made only against the provision of such indemnity as the Issuer may require.

(iii) On or after the Interest Payment Date for the final Coupon forming part of a Coupon sheet issued in respect of any Securities, the Talon forming part of such Coupon sheet may be surrendered at the specified office of the Principal Paying Agent in exchange for a further Coupon sheet (and another Talon for a further Coupon sheet) (but excluding any Coupons that may have become void pursuant to Condition 13).

(b) Payments Subject to Fiscal Laws

Without prejudice to the terms of Condition 12, all payments made in accordance with these Conditions shall be made subject to any fiscal or other laws and regulations applicable in the place of payment. No commissions or expenses shall be charged to the Holders or Couponholders in respect of such payments.

(c) Days for Payments

A Security or Coupon may only be presented for payment on a day on which commercial banks and foreign exchange markets are open in the place of presentation and London (and, in the case of payment by transfer to a euro account, a day on which the Target System is operating). No further interest or other payment will be made as a consequence of the day on which the relevant Security or Coupon may be presented for payment under this paragraph falling after the due date.

11 Enforcement Events

(a) Proceedings

If a default is made by the Issuer for a period of 14 days or more in the payment of any principal or for a period of 21 days or more in the payment of any interest (including any Deferred Interest) in respect of the Securities which is due and payable, then the Issuer shall without notice from the Trustee be deemed to be in default under the Trust Deed, the Securities and the Coupons and the Trustee at its sole discretion may (subject to Condition 11(c)), and if so requested by the holders of at least one-quarter in principal amount of the Securities then outstanding or if so directed by an Extraordinary Resolution shall (subject to Condition 11(c)), institute actions, steps or proceedings for the winding-up of the Issuer and/or prove in the winding-up or administration of the Issuer and/or claim in the liquidation or administration of the Issuer for such payment, such claim being as contemplated in Condition 3(a).

(b) Enforcement

The Trustee may at its discretion (subject to Condition 11(c)) and without further notice institute such actions, steps or proceedings against the Issuer as it may think fit to enforce any term or condition binding on the Issuer under the Trust Deed, the Securities or the Coupons but in no event shall the Issuer, by virtue of the institution of any such proceedings, be obliged to pay any sum or sums sooner than the same would otherwise have been payable by it.

(c) Entitlement of Trustee

The Trustee shall not be bound to take any of the actions referred to in Condition 11(a) or 11(b) above against the Issuer to enforce the terms of the Trust Deed, the Securities or the Coupons or any other action, step or proceedings unless (i) it shall have been so requested by an Extraordinary Resolution of

the Holders or in writing by the Holders of at least one-quarter in principal amount of the Securities then outstanding and (ii) it shall have been indemnified and/or secured and/or prefunded to its satisfaction.

(d) Right of Holders

No Holder or Couponholder shall be entitled to proceed directly against the Issuer or to institute actions, steps or proceedings for the winding-up of the Issuer and/or prove in the winding-up or administration of the Issuer and/or claim in the liquidation or administration of the Issuer unless the Trustee, having become so bound to proceed or being able to prove in such winding-up or administration or claim in such liquidation or administration, fails or is unable to do so within 60 days and such failure or inability shall be continuing, in which case the Holder or Couponholder shall have only such rights against the Issuer as those which the Trustee is entitled to exercise as set out in this Condition 11.

(e) Extent of Holders' remedy

No remedy against the Issuer, other than as referred to in this Condition 11, shall be available to the Trustee (on behalf of the Holders) or the Holders or Couponholders, whether for the recovery of amounts owing in respect of the Securities, the Coupons or under the Trust Deed or in respect of any breach by the Issuer of any of its other obligations under or in respect of the Securities, the Coupons or the Trust Deed.

12 Taxation

All payments of principal and interest by the Issuer will be made without withholding or deduction for or on account of any present or future taxes, duties, assessments or governmental charges (together, "**Taxes**") of whatever nature imposed, levied, collected, withheld or assessed by or on behalf of the United Kingdom or any political subdivision thereof or any authority thereof or therein having power to levy the same unless such withholding or deduction is required by law. In that event, the Issuer shall pay such amounts (the "**Additional Amounts**") as will result in the receipt by the Holders and the Couponholders of such amounts as would have been received by them had no such Taxes been required to be withheld or deducted; provided that no such Additional Amounts will be payable in respect of any Security or Coupon:

(i) presented for payment by or on behalf of a Holder or Couponholder who is liable for such withheld or deducted Taxes by reason of his having some connection with the United Kingdom other than the mere holding of a Security or Coupon; or

(ii) to, or to a third party on behalf of, a Holder or Couponholder if such withholding or deduction may be avoided by complying with any statutory requirement or by making a declaration of non-residence or other similar claim for exemption to any authority of or in the United Kingdom, unless such Holder or Couponholder proves that he is not entitled so to comply or to make such declaration or claim; or

(iii) presented for payment in the United Kingdom; or

(iv) presented for payment more than 30 days after the Relevant Date except to the extent that a Holder or Couponholder would have been entitled to payment of such Additional Amounts if he had presented his Security or Coupon for payment on the thirtieth day after the Relevant Date.

Notwithstanding any other provision of these Conditions, any amounts to be paid on any Security or Coupon by or on behalf of the Issuer will be paid net of any deduction or withholding imposed under Sections 1471 through 1474 of the U.S. Internal Revenue Code of 1986, as amended (the "**Code**") (or any amended or successor provisions), including any regulations thereunder or official interpretations thereof, or required pursuant to an agreement described in Section 1471(b) of the Code or an intergovernmental agreement between the United States and another jurisdiction facilitating the implementation of any of the foregoing (or any fiscal

or regulatory legislation, rules or practices implementing such an intergovernmental agreement) (any such withholding or deduction, a "**FATCA Withholding**"). Neither the Issuer nor any other person will be required to pay any Additional Amounts in respect of FATCA Withholding.

References in these Conditions to principal, Interest Payments, Deferred Interest and/or any other amount in respect of interest shall be deemed to include any Additional Amounts which may become payable pursuant to the foregoing provisions or any undertakings given in addition thereto or in substitution therefor pursuant to the Trust Deed.

13 Prescription

Claims against the Issuer in respect of Securities and Coupons (which for this purpose shall not include Talons) will become void unless presented for payment or made, as the case may be, within a period of 10 years in the case of Securities and five years in the case of Coupons from the Relevant Date relating thereto. There shall be no prescription period for Talons but there shall not be included in any Coupon sheet issued in exchange for a Talon any Coupon the claim in respect of which would be void pursuant to this Condition 13 or Condition 10(a)(iii).

14 Meetings of Holders, Modification, Waiver and Substitution

The Trust Deed contains provisions for convening meetings of Holders (including by way of audio or video conference call) to consider any matter affecting their interests or those of Couponholders, including the sanctioning by Extraordinary Resolution (as defined in the Trust Deed) of a modification of any of these Conditions or any provisions of the Trust Deed. Such a meeting may be convened by Holders holding not less than 10 per cent. in principal amount of the Securities for the time being outstanding.

The quorum at any such meeting for passing an Extraordinary Resolution shall be one or more persons holding or representing not less than a clear majority in principal amount of the Securities for the time being outstanding, or at any adjourned meeting one or more persons being or representing Holders whatever the principal amount of the Securities so held or represented, except that at any meeting the business of which includes the modification of certain of these Conditions (including, *inter alia*, the provisions regarding subordination referred to in Condition 3, the terms concerning currency and due dates for payment of principal or Interest Payments in respect of the Securities and reducing or cancelling the principal amount of any Securities or the Interest Rate) and certain other provisions of the Trust Deed, the quorum shall be one or more persons holding or representing not less than three-fourths in principal amount of the Securities for the time being outstanding, or at any adjourned such meeting not less than one-fourth, in principal amount of the Securities for the time being outstanding.

The agreement or approval of the Holders shall not be required in the case of any Benchmark Amendments required by the Issuer pursuant to Condition 4(i), any variation of these Conditions and/or the Trust Deed required to be made in the circumstances described in Condition 7 in connection with the substitution or variation of the terms of the Securities so that they remain or become Qualifying Securities to which the Trustee has agreed pursuant to the relevant provisions of Condition 7.

An Extraordinary Resolution passed at any meeting of Holders will be binding on all Holders, whether or not they are present at the meeting, and on all Couponholders.

The Trust Deed provides that a resolution by way of electronic consents or in writing signed by or on behalf of the holders of not less than 75 per cent. in principal amount of the Securities outstanding shall for all purposes be as valid and effective as an Extraordinary Resolution passed at a meeting of Holders duly convened and held.

Such a resolution in writing may be contained in one document or several documents in the same form, each signed by or on behalf of one or more Holders.

The Trustee may agree, without the consent of the Holders or Couponholders, to (i) any modification of these Conditions or of any other provisions of the Trust Deed or the Paying Agency Agreement which is, in the opinion of the Trustee, of a formal, minor or technical nature or is made to correct a manifest error, and (ii) any other modification to (except as mentioned in the Trust Deed), and any waiver or authorisation of any breach or proposed breach by the Issuer of, any of these Conditions or of the provisions of the Trust Deed or the Paying Agency Agreement which is, in the opinion of the Trustee, not materially prejudicial to the interests of the Holders and Couponholders (which will not include, for the avoidance of doubt, any provision entitling the Holders to institute actions, steps or proceedings for the winding-up of the Issuer in circumstances which are more extensive than those set out in Condition 11). In addition, the Trustee shall be obliged to concur with the Issuer in effecting any Benchmark Amendments in the circumstances and as otherwise set out in Condition 4(i) without the consent or approval of the Holders or Couponholders.

The Trustee may also agree without the consent of the Holders or Couponholders, to the substitution in place of the Issuer as the principal debtor under the Securities and the Trust Deed of any successor in business or Holding Company of the Issuer or any other subsidiary of the Issuer provided that (i) (in the case of any substitution by any other subsidiary of the Issuer or such Holding Company) all payments in respect of the Securities continue to be unconditionally and irrevocably guaranteed by the Issuer or the successor in business of the Issuer in the manner provided in the Trust Deed and (ii) that such substitution would not, in the opinion of the Trustee, be materially prejudicial to the interests of the Holders and Couponholders and subject to the other conditions set out in the Trust Deed. In the case of any proposed substitution, the Trustee may agree, without the consent of the Holders or Couponholders, to a change of the law governing the Securities, the Coupons and/or the Trust Deed, provided that such change would not, in the opinion of the Trustee, be materially prejudicial to the interests of the Holders or the Couponholders.

In connection with any proposed substitution as aforesaid and in connection with the exercise of its trusts, powers, authorities and discretions (including but not limited to those referred to in this Condition 14), the Trustee shall have regard to the general interests of the Holders and Couponholders as a class but shall not have regard to the consequences of such substitution or such exercise for individual Holders or Couponholders. In connection with any substitution or such exercise as aforesaid, no Holder or Couponholder shall be entitled to claim, whether from the Issuer, the Trustee or any other person, any indemnification or payment in respect of any tax consequence of any such substitution or any such exercise upon any individual Holders or Couponholders, except to the extent already provided in Condition 12 and/or any undertaking given in addition thereto or in substitution therefor pursuant to the Trust Deed.

Any such modification, waiver, authorisation, determination or substitution effected in accordance with this Condition 14 shall be binding on all Holders and all Couponholders and, unless the Trustee agrees otherwise, any such modification or substitution shall be notified to the Holders in accordance with Condition 17 as soon as practicable thereafter.

15 Replacement of the Securities, Coupons and Talons

If any Security, Coupon or Talon is lost, stolen, mutilated, defaced or destroyed it may be replaced, subject to applicable laws, regulations and stock exchange or other relevant authority regulations, at the specified office of the Principal Paying Agent as may from time to time be designated by the Issuer for the purpose and notice of whose designation is given to Holders in accordance with Condition 17, on payment by the claimant of the fees and costs incurred in connection therewith and on such terms as to evidence, security and indemnity (which may provide, *inter alia*, that if the allegedly lost, stolen or destroyed Security, Coupon or Talon is subsequently

presented for payment or, as the case may be, for exchange for further Coupons, there shall be paid to the Issuer on demand the amount payable by the Issuer in respect of such Securities, Coupons or further Coupons) and otherwise as the Issuer may require. Mutilated or defaced Securities, Coupons or Talons must be surrendered before any replacement Securities, Coupons or Talons will be issued.

16 Indemnification of the Trustee

The Trust Deed contains provisions for the indemnification or prefunding of the Trustee, and/or provision of security for the Trustee, and for its relief from responsibility. The Trustee is entitled to enter into business transactions with the Issuer or any of its subsidiary undertakings, parent undertakings, joint ventures or associated undertakings without accounting for any profit resulting from these transactions and to act as trustee for the holders of any other securities issued by the Issuer or any of its subsidiary undertakings, parent undertakings, joint ventures or associated undertakings. The Trustee may rely without liability to Holders or Couponholders on a report, confirmation or certificate or any advice of any accountants, financial advisers, financial institution or any other expert, whether or not addressed to it and whether their liability in relation thereto is limited (by its terms or by any engagement letter relating thereto entered into by the Trustee or any other person or in any other manner) by reference to a monetary cap, methodology or otherwise. The Trustee may accept and shall be entitled to rely on any such report, confirmation or certificate or advice and, if the Trustee does so, such report, confirmation or certificate or advice shall be binding on the Issuer, the Trustee and the Holders.

17 Notices

All notices regarding the Securities will be deemed to be validly given if published in a leading English language daily newspaper of general circulation in London. It is expected that such publication will be made in the Financial Times in London. The Issuer shall also ensure that notices are duly published in a manner which complies with the rules and regulations of any stock exchange or any other relevant authority on which the Securities are for the time being listed or by which they have been admitted to trading. Any such notice will be deemed to have been given on the date of the first publication or, where required to be published in more than one newspaper, on the date of the first publication in all required newspapers.

18 Further Issues

The Issuer may from time to time without the consent of the Holders or the Couponholders create and issue further securities ranking *pari passu* in all respects (or in all respects save for the date from which interest thereon accrues and the amount of the first payment of interest on such further securities) and so that such further issue shall be consolidated and form a single series with the outstanding Securities. Any such further securities shall be constituted by a deed supplemental to the Trust Deed.

19 Paying Agents

The initial Paying Agents and their initial specified offices are listed below. The Issuer reserves the right, subject to the approval of the Trustee, at any time to vary or terminate the appointment of any Paying Agent and to appoint additional or other Paying Agents, provided that the Issuer will:

(a) at all times maintain a Principal Paying Agent; and

(b) so long as the Securities are listed on any stock exchange or admitted to trading by any other relevant authority, there will at all times be a Paying Agent with a specified office in such place as may be required by the rules and regulations of the relevant stock exchange or any other relevant authority.

Notice of any such termination or appointment and of any change in the specified offices of the Paying Agents will be given to the Holders in accordance with Condition 17.

If the Principal Paying Agent is unable or unwilling to act as such or if it fails to make a determination or calculation or otherwise fails to perform its duties under these Conditions or the Paying Agency Agreement (as the case may be), the Issuer shall appoint, on terms acceptable to the Trustee, an independent financial institution acceptable to the Trustee to act as such in its place.

20 Governing Law and Jurisdiction

The Trust Deed, the Securities and the Coupons, and any non-contractual obligations arising out of or in connection with them, are governed by, and shall be construed in accordance with, English law.

Each of the parties to the Trust Deed has in the Trust Deed irrevocably agreed that the courts of England are to have jurisdiction to settle any disputes which may arise out of or in connection with the Trust Deed, the Securities and/or the Coupons (including a dispute relating to any non-contractual obligations arising out of or in connection with them) and that accordingly any suit, action or proceedings (together referred to as "**Proceedings**") arising out of or in connection with the Trust Deed, the Securities and the Coupons (including any proceedings relating to any non-contractual obligations arising out of or in connection with them) may be brought in such courts.

Each of the parties to the Trust Deed has in the Trust Deed irrevocably and unconditionally waived any objection which it may have now or hereafter to the laying of the venue of any such Proceedings in any such court and any claim that any such Proceedings have been brought in an inconvenient forum and further irrevocably and unconditionally agreed that a judgment in any such Proceedings brought in the English courts shall be conclusive and binding upon it and may be enforced in the courts of any other jurisdiction.

Nothing contained in this Condition shall limit any right to take Proceedings against any of the parties to the Trust Deed in any other court of competent jurisdiction (outside the Contracting States, as defined in Section 1(3) of the Civil Jurisdiction and Judgments Act 1982, as amended), nor shall the taking of Proceedings in one or more jurisdictions preclude the taking of Proceedings in any other jurisdiction, whether concurrently or not.

Nothing herein shall affect the right to serve proceedings in any other manner permitted by law.

21 Contracts (Rights of Third Parties) Act 1999

No person shall have any right to enforce any term or condition of the Securities by virtue of the Contracts (Rights of Third Parties) Act 1999.

22 Definitions

In these Conditions:

"**5-year Swap Rate**" means (i) the annualised mid-swap rate with a term of five years as displayed on the Reset Screen Page as at approximately 11:00 a.m. (Frankfurt time) on the relevant Reset Interest Determination Date or, (ii) if the 5-year Swap Rate does not appear on such screen page at such time on the relevant Reset Interest Determination Date, the 5-year Swap Rate will be the Reset Reference Bank Rate on such Reset Interest Determination Date, unless a Benchmark Event has occurred, in which case the 5-year Swap Rate will be determined pursuant to and in accordance with Condition 4(i);

the "**5-year Swap Rate Quotations**" means the arithmetic mean of the bid and offered rates for the annual fixed leg (calculated on a 30/360 day count basis) of a fixed-for-floating euro interest rate swap which:

(a) has a term of five years commencing on the relevant Reset Date;

(b) is in an amount that is representative of a single transaction in the relevant market at the relevant time with an acknowledged dealer of good credit in the swap market; and

(c) has a floating leg based on the 6-month EURIBOR rate (calculated on an Act/360 day count basis);

an "**Accounting Event**" shall be deemed to occur if a recognised accountancy firm, acting upon instructions of the Issuer, has delivered a letter or report to the Issuer, stating that, as a result of a change in accounting principles (or the application thereof) which has been officially adopted after the Issue Date (such date, the "**Accounting Event Adoption Date**"), the Securities may not or may no longer be recorded as "equity" in the audited annual or the semi-annual consolidated financial statements of the Issuer pursuant to the UK-IFRS or any other accounting standards that may replace UK-IFRS; the Accounting Event shall be deemed to have occurred on the Accounting Event Adoption Date notwithstanding any later effective date;

"**Additional Amounts**" has the meaning given in Condition 12;

"**Agents**" means the Paying Agents and the Calculation Agent;

"**Business Day**" means a day, other than a Saturday, Sunday or public holiday, on which commercial banks and foreign exchange markets are open for general business in London and the Target System is operating;

"**Calculation Agent**" has the meaning given to it in the preamble to these Conditions;

"**Calculation Amount**" has the meaning given to it in Condition 4(b);

a "**Compulsory Arrears of Interest Settlement Event**" shall have occurred if:

(i) a Declaration or Payment is made in respect of any Junior Obligations or any Parity Obligations (other than any dividend, distribution or payment which is paid or made exclusively in ordinary shares of the Issuer); or

(ii) the Issuer or any of its Subsidiaries has repurchased, redeemed or otherwise acquired any Junior Obligations or any Parity Obligations,

other than (a) any such Declaration or Payment or such redemption, repurchase or acquisition that is contractually required under the terms of any Junior Obligations or Parity Obligations or required by mandatory operation of law; (b) in relation to sub-paragraph (i) above, any *pro rata* payment of deferred interest on any Parity Obligations which is made simultaneously with a *pro rata* payment of any Deferred Interest provided that such *pro rata* payment on the relevant Parity Obligations is not proportionately more than the *pro rata* settlement of any such Deferred Interest; (c) any such Declaration or Payment in respect of any Junior Obligations or Parity Obligations or any redemption, repurchase or acquisition which is undertaken in connection with any share option, or any free share allocation plan in each case reserved for directors, officers and/or employees of the Issuer or any of its affiliates or any associated liquidity agreements or any associated hedging transactions; (d) any repurchase or acquisition of ordinary shares of the Issuer by or on behalf of the Issuer as part of an intra-day transaction that does not result in an increase in the aggregate number of ordinary shares of the Issuer compared with the ordinary shares held by or on behalf of the Issuer as treasury shares at 8:30 a.m. London time on the Interest Payment Date on which any outstanding Deferred Interest Payment first arose; (e) any redemption, repurchase or acquisition of Parity Obligations that is made for a consideration less than the aggregate nominal or par value of such Parity Obligations that are purchased or acquired: (f) any redemption, repurchase or acquisition of ordinary shares of the Issuer resulting from mandatory obligations or hedging of any convertible securities issued by the Issuer; or (g) any repurchase or acquisition of ordinary shares of the Issuer resulting from the settlement of existing equity derivatives after the Interest Payment Date on which any outstanding Deferred Interest Payment first arose;

"**Conditions**" means these terms and conditions of the Securities, as amended from time to time;

"**Coupon**" has the meaning given in the preamble to these Conditions;

"**Couponholder**" has the meaning given in the preamble to these Conditions;

"**Declaration or Payment**" means the authorisation by resolution of the general meeting of shareholders or the board of directors or other competent corporate body, as the case may be, of the Issuer of the payment, or the making of, a dividend or other distribution or payment, or, if no such authorisation is required, the payment, or the making of, a dividend or other distribution or payment;

"**Deferral Notice**" has the meaning given in Condition 5(a);

"**Deferred Interest**" has the meaning given in Condition 5(a);

"**Deferred Interest Settlement Date**" has the meaning given in Condition 5(a);

"**Early Redemption Amount**" means, in respect of each Security:

(i) in the case of a Tax Deductibility Event, a Rating Capital Event or an Accounting Event where the relevant date fixed for redemption falls prior to the First Optional Redemption Date, an amount equal to the sum of (x) 100 per cent. of the principal amount of the relevant Security and (y) 1 per cent. of the principal amount of the relevant Security (which amount shall represent a fixed interest amount for the period from (and including) the Issue Date up to (but excluding) the relevant date fixed for redemption payable in addition to any accrued and unpaid interest up to (but excluding) the relevant date fixed for redemption and any accrued and unpaid Deferred Interest);

(ii) in the case of a Tax Deductibility Event, a Rating Capital Event or an Accounting Event where the relevant date fixed for redemption falls on or after the First Optional Redemption Date, an amount equal to 100 per cent. of the principal amount of the relevant Security; and

(iii) in case of a Withholding Tax Event at any time, an amount equal to 100 per cent. of the principal amount of the relevant Security,

in each case (i), (ii) and (iii), together with any accrued and unpaid interest up to (but excluding) the relevant date fixed for redemption (including any accrued but unpaid Deferred Interest) (without double counting);

"**EURIBOR**" means, in respect of any specified currency and any specified period, the interest rate benchmark known as the Euro zone interbank offered rate;

"**Euro zone**" means the zone comprising the Member States of the European Union which adopt or have adopted the Euro as their lawful currency in accordance with the Treaty establishing the European Community, as amended;

"**euro**" or "**€**" means the lawful currency introduced at the start of the third stage of European Economic and Monetary Union pursuant to the Treaty on the Functioning of the European Union, as amended;

"**First Optional Redemption Date**" means 27 September 2026;

"**First Reset Date**" means 27 December 2026;

"**First Step-up Date**" means 27 December 2031;

"**Group**" means the Issuer and its Subsidiaries taken as a whole;

"**Holder**" has the meaning given in the preamble to these Conditions;

"**Holding Company**" means a holding company within the meaning of Section 1159 of the Companies Act 2006;

"**Initial Interest Rate**" has the meaning given in Condition 4(c);

"**Interest Amount**" has the meaning given in Condition 4(e);

"**Interest Payment**" means, in respect the payment of interest on an Interest Payment Date, the amount of interest payable on the presentation and surrender of the Coupon for the relevant Interest Period in accordance with Condition 4;

"**Interest Payment Date**" has the meaning given in Condition 4(a);

"**Interest Period**" means the period beginning on (and including) the Issue Date and ending on (but excluding) the first Interest Payment Date and each successive period beginning on (and including) an Interest Payment Date and ending on (but excluding) the next succeeding Interest Payment Date;

"**Interest Rate**" means the Initial Interest Rate or the relevant Reset Interest Rate, as the case may be;

"**Issue Date**" has the meaning given in Condition 4(a);

"**Issuer**" means British American Tobacco p.l.c.;

"**Junior Obligations**" means ordinary shares in the capital of the Issuer and other securities or obligations issued or owed by the Issuer (including guarantees or indemnities or support arrangements given by the Issuer in respect of securities or obligations owed by other persons) which rank, or are expressed to rank *pari passu* with such ordinary shares;

"**Mandatory Settlement Date**" means each of the following:

(i) the date which is 10 Business Days following the occurrence of a Compulsory Arrears of Interest Settlement Event;

(ii) the next scheduled Interest Payment Date on which interest on the Securities is paid;

(iii) the date on which the Securities are redeemed or repaid in accordance with Condition 3, any paragraph of Condition 6 or Condition 11; and

(iv) the date on which the Securities are substituted for, or the terms of the Securities are varied so that they become, Qualifying Securities in accordance with Condition 7.

"**Margin**" means (i) 3.372 per cent. per annum from and including the First Reset Date to (but excluding) the First Step-up Date, (ii) 3.622 per cent. per annum from (and including) the First Step-up Date to (but excluding) the Second Step-up Date and (iii) 4.372 per cent. per annum from (and including) the Second Step-up Date;

"**Notional Preference Shares**" has the meaning given in Condition 3(a);

"**Official List**" means the Official List of the Financial Conduct Authority in its capacity as competent authority under the Financial Services and Markets Act 2000 (as amended or superseded);

"**Optional Redemption Date**" means (i) any Business Day from (and including) 27 September 2026 to (and including) the First Reset Date and (ii) each Interest Payment Date thereafter;

"**Parity Obligations**" means (if any) the most junior class of preference share capital in the Issuer ranking ahead of the ordinary shares in the capital of the Issuer and any other obligations of (i) the Issuer, issued directly or indirectly by it, which rank, or are expressed to rank, *pari passu* with the Securities or such preference shares

or (ii) any Subsidiary of the Issuer having the benefit of a guarantee or support agreement from the Issuer which ranks or is expressed to rank *pari passu* with the Securities or such preference shares;

"**Paying Agency Agreement**" has the meaning given to it in the preamble to these Conditions;

"**Paying Agents**" has the meaning given to it in the preamble to these Conditions;

"**Principal Paying Agent**" has the meaning given to it in the preamble to these Conditions;

"**Qualifying Securities**" means securities that contain terms not materially less favourable to Holders than the terms of the Securities (as reasonably determined by the Issuer (in consultation with an independent investment bank or counsel of international standing)) and provided that a certification to such effect (and confirming that the conditions set out in (a) to (i) below have been satisfied) of one director of the Issuer shall have been delivered to the Trustee prior to the substitution or variation of the Securities upon which certificate the Trustee shall rely absolutely), provided that:

(a) they shall be issued by the Issuer or any wholly-owned direct or indirect finance subsidiary of the Issuer, in each case with a guarantee by the Issuer (other than when the Issuer is the issuer of such securities, if applicable); and

(b) they (and/or, as appropriate, the guarantee as aforesaid) shall rank *pari passu* on a winding-up or administration (in circumstances where the administrator has given notice of its intention to declare and distribute a dividend) of the Issuer with the Securities; and

(c) they shall contain terms which provide for the same Interest Rate from time to time applying to the Securities and preserve the same Interest Payment Dates; and

(d) they shall preserve the obligations (including the obligations arising from the exercise of any right) of the Issuer as to redemption of the Securities, including (without limitation) as to timing of, and amounts payable upon, such redemption; and

(e) they shall preserve any existing rights under these Conditions to any accrued interest which has accrued to Holders and not been paid: and

(f) they shall not contain terms providing for loss absorption through principal write-down or conversion to ordinary shares; and

(g) they shall otherwise contain substantially identical terms (as reasonably determined by the Issuer) to the Securities, save where (without prejudice to the requirement that the terms are not materially less favourable to Holders than the terms of the Securities as described above) any modifications to such terms are required to be made to avoid the occurrence or effect of a Rating Capital Event, an Accounting Event, a Tax Deductibility Event or, as the case may be, a Withholding Tax Event; and

(h) if the Securities were publicly rated by a Rating Agency which has provided a solicited rating at the invitation or with the consent of the Issuer immediately prior to such substitution or variation, they shall have at least the same credit rating immediately after such substitution or variation by each such Rating Agency, as compared with the relevant solicited rating(s) immediately prior to such substitution or variation (as determined by the Issuer using reasonable measures available to it including discussions with the Rating Agencies to the extent practicable); and

(i) they shall be (i) listed on the Official List and admitted to trading on the Market or (ii) listed on such other stock exchange as is a Recognised Stock Exchange at that time as selected by the Issuer;

"**Rating Agency**" means Moody's Investors Service Limited or any of its subsidiaries and successors or S&P Global Ratings Europe Limited or any of its subsidiaries and successors or any rating agency substituted for

any of them (or any permitted substitute of them) by the Issuer from time to time with the prior written approval of the Trustee;

a "**Rating Capital Event**" shall be deemed to occur if the Issuer has received, and confirmed in writing to the Trustee that it has so received, confirmation from any Rating Agency then providing a solicited rating of the Issuer and/or the Group and/or the Securities at the invitation of, or with the consent of, the Issuer and in connection with which the Securities are assigned an equity credit, either directly or via a publication by such Rating Agency, that an amendment to, clarification of or change in its equity credit criteria has occurred which becomes effective on or after the Issue Date (or, if later, effective after the date on which any or all of the Securities are assigned "equity credit" by such Rating Agency for the first time) and as a result of which, but not otherwise, (a) the Securities are no longer eligible or will no longer be eligible in full or in part (or if the Securities have been partially or fully re-financed since the Issue Date and are no longer eligible for "equity credit" from such Rating Agency in part or in full as a result, any or all of the Securities would no longer have been eligible as a result of such amendment to, clarification of or change in the equity credit criteria had they not been re-financed) for the same, or a higher amount of, "equity credit" (or such other nomenclature that the Rating Agency may then use to describe the degree to which an instrument exhibits the characteristics of an ordinary share) as was attributed to the Securities at the Issue Date (or if "equity credit" is not assigned to the Securities by the relevant Rating Agency on the Issue Date, at the date on which "equity credit" is assigned by such Rating Agency for the first time) or (b) the length of time the Securities are assigned a particular level of "equity credit", after being assigned such equity credit for the first time, by that Rating Agency is shortened as compared to the length of time they would have been assigned that level of "equity credit" by that Rating Agency under its prevailing methodology on the Issue Date (or if "equity credit" was not assigned to the Securities by the relevant Rating Agency on the Issue Date, at the date on which "equity credit" is assigned by such Rating Agency for the first time);

"**Recognised Stock Exchange**" means a recognised stock exchange as defined in section 1005 of the Income Tax Act 2007 as the same may be amended from time to time and any provision, statute or statutory instrument replacing the same from time to time;

"**Relevant Date**" means:

(a) in respect of any payment other than a sum to be paid by the Issuer in a winding-up or administration of the Issuer the date on which such payment first becomes due and payable but, if the full amount of the moneys payable on such date has not been received by the Principal Paying Agent or the Trustee on or prior to such date, the Relevant Date means the date on which such moneys shall have been so received and notice to that effect shall have been given to the Holders in accordance with Condition 17; and

(b) in respect of any sum (i) to be paid by or on behalf of the Issuer in a winding-up of the Issuer or (ii) if following the appointment of an administrator of the Issuer the administrator gives notice of an intention to declare and distribute a dividend, to be paid by the administrator by way of such dividend, the date which is one day prior to the date on which an order is made or a resolution is passed for the winding-up or, in the case of an administration, one day prior to the date on which any dividend is distributed;

"**Reset Date**" means each of the First Reset Date and each fifth anniversary thereof;

"**Reset Interest Determination Date**" means, in respect of a Reset Period, the day falling two Business Days prior to the first day of that Reset Period;

"**Reset Interest Rate**" has the meaning given in Condition 4(d);

"**Reset Period**" means each period beginning on (and including) a Reset Date and ending on (but excluding) the next succeeding Reset Date thereafter and "**relevant Reset Period**" shall be construed accordingly;

"**Reset Reference Bank Rate**" means the percentage rate determined on the basis of the 5-year Swap Rate Quotations provided by the Reset Reference Banks to the Calculation Agent at approximately 11:00 a.m. (Frankfurt time) on the relevant Reset Interest Determination Date. If at least three quotations are provided, the Reset Reference Bank Rate will be the arithmetic mean of the quotations provided, eliminating the highest quotation (or, in the event of equality, one of the highest) and the lowest quotation (or, in the event of equality, one of the lowest). If only two quotations are provided, the applicable Reset Reference Bank Rate will be the arithmetic mean of the quotations. If only one quotation is provided, the applicable Reset Reference Bank Rate will be the quotation provided. If no quotations are provided, the applicable Reset Reference Bank Rate shall be equal to the last annualised mid-swap rate with a term of five years displayed on the Reset Screen Page as determined by the Calculation Agent;

"**Reset Reference Banks**" means five leading swap dealers in the interbank market selected by the Issuer;

"**Reset Screen Page**" means Reuters screen "ICESWAP2" or such other page as may replace it on that information service, or on such other equivalent information service as determined by the Issuer, for the purpose of displaying the annual swap rates for euro swap transactions with a five-year maturity;

"**Second Step-up Date**" means 27 December 2046;

"**Securities**" has the meaning given in the preamble to these Conditions;

"**Senior Obligations**" means all obligations of the Issuer issued directly or indirectly by it other than Parity Obligations and Junior Obligations;

"**Special Event**" means any of a Rating Capital Event, an Accounting Event, a Substantial Repurchase Event, a Tax Deductibility Event or a Withholding Tax Event or any combination of the foregoing;

"**Subsidiary**" means a subsidiary within the meaning of Section 1159 of the Companies Act 2006 and "**Subsidiaries**" shall be construed accordingly;

"**Substantial Repurchase Event**" shall be deemed to occur if prior to the giving of the relevant notice of redemption the Issuer or any of its Subsidiaries repurchases (and effects corresponding cancellations) or redeems Securities in respect of 75 per cent. or more in the principal amount of the Securities initially issued (which shall for this purpose include any further securities issued pursuant to Condition 18);

"**successor in business**" means a company which has acquired as a going concern all or substantially all of the undertaking, assets and liabilities of the Issuer;

"**Talons**" has the meaning given in the preamble to these Conditions;

"**Target System**" means the Trans-European Automated Real-Time Gross Settlement Express Transfer (known as TARGET2) System which was launched on 19 November 2007 or any successor thereto;

"**Taxes**" has the meaning given in Condition 12;

a "**Tax Deductibility Event**" shall be deemed to have occurred if as a result of a Tax Law Change:

(a) in respect of the Issuer's obligation to make any Interest Payment on the next following Interest Payment Date, the Issuer would not be entitled to claim a deduction in respect of the expense recognised by the Issuer for accounting purposes as attributable to such Interest Payment in computing its taxation liabilities in the United Kingdom, or such entitlement is materially reduced or materially delayed (a "**disallowance**"); or

(b) the Securities are prevented from being treated as loan relationships for United Kingdom tax purposes;

(c) in respect of the Issuer's obligation to make any Interest Payment on the next following Interest Payment Date, where a deduction arises in respect of such Interest Payment the Issuer would not to any material extent be entitled to have any loss attributable to, or resulting from, such deduction set against the profits of companies with which it is grouped for applicable United Kingdom tax purposes (whether under the group relief system current as at the Issue Date or any similar system or systems having like effect as may from time to time exist) otherwise than as a result of a disallowance in (a);

and, in each case, the Issuer cannot avoid the foregoing in connection with the Securities by taking measures reasonably available to it, provided that measures reasonably available to the Issuer shall not include allocating a disallowance provided for in (a) above to any other company or security;

"**Tax Law Change**" means a change in or proposed change in, or amendment or proposed amendment to, the laws or regulations of the United Kingdom or any political subdivision or any authority thereof or therein having the power to tax, including any treaty or convention to which the United Kingdom is a party, or any change in the application or interpretation of such laws or regulations or any such treaty or convention, including a decision of any court or tribunal, or any interpretation or pronouncement by any relevant tax authority that provides for a position with respect to such laws or regulations or interpretation thereof that differs from the previously generally accepted position in relation to similar transactions, which change or amendment becomes, or would become, effective on or after the Issue Date;

"**Trust Deed**" has the meaning given in the preamble to these Conditions;

"**Trustee**" has the meaning given in the preamble to these Conditions;

"**UK-IFRS**" means the International Financial Reporting Standards as adopted by the United Kingdom;

"**United Kingdom**" means the United Kingdom of Great Britain and Northern Ireland; and

a "**Withholding Tax Event**" shall be deemed to occur if as a result of a Tax Law Change, in making any payments on the Securities, the Issuer has paid or will or would on the next Interest Payment Date be required to pay Additional Amounts on the Securities and the Issuer cannot avoid the foregoing in connection with the Securities by taking reasonable measures available to it.

The following paragraph does not form part of the terms and conditions of the Securities.

*The Issuer intends (without thereby assuming a legal obligation), that if the Issuer redeems the Securities pursuant to Condition 6(b) or the Issuer or any of its Subsidiaries repurchases the Securities, they will so redeem or repurchase the Securities only to the extent the aggregate principal amount of the Securities to be redeemed or repurchased does not exceed such part of the net proceeds received by the Issuer or any of its Subsidiaries from the sale or issuance by the Issuer or such Subsidiary to third party purchasers (other than group entities of the Issuer) of securities which are assigned by S&P Global Ratings Europe Limited ("**S&P**") an aggregate "equity credit" (or such similar nomenclature used by S&P from time to time) that is equal to or greater than the "equity credit" assigned to the Securities at the time of their issuance (but taking into account any changes in hybrid capital methodology or the interpretation thereof since the issuance of the Securities), unless:*

(i) the rating (or such similar nomenclature then used by S&P) assigned by S&P to the Issuer is at least equal to the rating assigned by S&P to the Issuer on the date of the last issuance of additional Hybrid Securities (excluding refinancings) and the Issuer is of the view that such rating would not fall below this level as a result of such redemption or repurchase; or

(ii) in the case of a repurchase of the Securities, such repurchase, taken together with other repurchases of other Hybrid Securities (as defined below) issued or guaranteed by the Issuer, is of less than (i) 10 per cent. of the aggregate principal amount of the outstanding Hybrid Securities issued or guaranteed by the Issuer in any period of 12 consecutive months or (ii) 25 per cent. of the aggregate principal amount

of the outstanding Hybrid Securities issued or guaranteed by the Issuer in any period of 10 consecutive years, provided that in each case such repurchase has no materially negative effect on the Issuer's credit profile; or

(iii) the Securities are not assigned an "equity credit" (or such similar nomenclature then used by S&P) at the time of such redemption or repurchase; or

(iv) in the case of a repurchase, such repurchase relates to an aggregate principal amount of Securities which is less than or equal to the excess (if any) above the maximum aggregate principal amount of the Issuer's hybrid capital to which S&P would assign equity content under its prevailing methodology; or

(v) such redemption or repurchase occurs on or after 27 December 2046.

*"**Hybrid Securities**" means securities that at the time of their issuance were and which continue to be assigned "equity credit" (or such other nomenclature used by S&P from time to time).*

TERMS AND CONDITIONS OF THE NC8 SECURITIES

The following, except for paragraphs in italics, are the terms and conditions of the NC8 Securities which will be endorsed on each NC8 Security in definitive form (if issued).

The issue of the €1,000,000,000 Perpetual Subordinated Fixed-to-Reset Rate Non-Call 8 Year Securities (the "**Securities**", which expression shall, unless the context otherwise requires, include any further securities issued pursuant to Condition 18 and forming a single series with the Securities) of British American Tobacco p.l.c. (the "**Issuer**") was authorised by resolutions of the board of directors of the Issuer passed on 25 February 2020 and 27 July 2021 and by a resolution of the transactions committee of the board of directors of the Issuer passed on 5 August 2021. The Securities are constituted by a trust deed (as amended and/or supplemented and/or restated from time to time, the "**Trust Deed**") dated 27 September 2021 between the Issuer and The Law Debenture Trust Corporation p.l.c. (the "**Trustee**", which expression shall include all persons for the time being the trustee or trustees under the Trust Deed) as trustee for the holders of the Securities (the "**Holders**"). These terms and conditions (the "**Conditions**") include summaries of, and are subject to, the detailed provisions of the Trust Deed, which includes the forms of the Securities, of the interest coupons (the "**Coupons**", which expression includes, where the context so permits, talons for further Coupons (the "**Talons**")), of the Talons appertaining to Securities in definitive form. Copies of (i) the Trust Deed and (ii) the paying agency agreement (as amended and/or supplemented and/or restated from time to time, the "**Paying Agency Agreement**") dated 27 September 2021 relating to the Securities between the Issuer, Citibank, N.A., London Branch as the initial principal paying agent and calculation agent (the "**Principal Paying Agent**" and the "**Calculation Agent**", which expressions shall include any successors thereto) and the other initial paying agent named therein (together with the Principal Paying Agent, the "**Paying Agents**", which expression shall include the Paying Agents for the time being) and the Trustee are available for inspection by prior arrangement during usual business hours at the principal office of the Trustee and at the specified offices of each of the Paying Agents. The Holders and the holders of the Coupons (whether or not attached to the Securities) (the "**Couponholders**") are entitled to the benefit of, are bound by, and are deemed to have notice of, all the provisions of the Trust Deed, and are deemed to have notice of those provisions applicable to them of the Paying Agency Agreement.

1 Form, Denomination and Title

(a) Form and Denomination

The Securities are serially numbered and in bearer form in the denominations of €100,000 and integral multiples of €1,000 in excess thereof up to and including €199,000, each with Coupons and one Talon attached on issue. No definitive Securities will be issued with a denomination above €199,000. Securities of one denomination may not be exchanged for Securities of any other denomination.

(b) Title

Title to the Securities, Coupons and each Talon passes by delivery. The holder of any Security, Coupon or Talon will (except as ordered by a court of competent jurisdiction or as otherwise required by law) be treated as its absolute owner for all purposes (whether or not it is overdue and regardless of any notice of ownership, trust or any interest in it, any writing on it, or its theft or loss) and no person will be liable for so treating the holder.

2 Status of the Securities and the Coupons

The Securities and Coupons constitute direct, unsecured and subordinated obligations of the Issuer and rank *pari passu* and without any preference or priority among themselves and *pari passu* with any Parity Obligations.

The rights and claims of the Holders in respect of the Securities and the Couponholders in respect of the Coupons, in each case against the Issuer are subordinated as described in Condition 3 and the Trust Deed.

3 Subordination of the Securities and the Coupons

(a) General

In the event of:

(i) an order being made, or an effective resolution being passed, for the winding-up of the Issuer (except, in any such case, a solvent winding-up solely for the purposes of a reorganisation, reconstruction or amalgamation or the substitution in place of the Issuer of a "successor in business" (as defined in Condition 22) of the Issuer, (A) (x) the terms of which reorganisation, reconstruction, amalgamation or substitution have previously been approved in writing by the Trustee or by an Extraordinary Resolution (as defined in the Trust Deed) or (y) which substitution will be effected in accordance with Condition 14; and (B) in each case the terms of which do not provide that the Securities shall thereby become redeemable or repayable in accordance with these Conditions); or

(ii) an administrator of the Issuer being appointed and such administrator giving notice that it intends to declare and distribute a dividend,

there shall be payable by the Issuer in respect of each Security and matured but unpaid Coupon (including any accrued but unpaid Deferred Interest in respect of such Coupon), in lieu of any other payment by the Issuer, such amounts, if any, as would have been payable to the Holder of such Security and to such Couponholder if, on the day prior to the commencement of the winding-up or such administration, as the case may be, and thereafter, such Holder and Couponholder were the holder of one of a class of preference shares in the capital of the Issuer ("**Notional Preference Shares**") having an equal right to a return of assets in the winding-up or such administration, as the case may be, and so ranking *pari passu* with, the holders of that class or classes of preference shares (if any) which have a preferential right to a return of assets in the winding-up over, and so rank ahead of, the holders of all Junior Obligations, but ranking junior to the claims of holders of all Senior Obligations (except as otherwise provided by mandatory provisions of law), on the assumption that the amounts that such Holder and Couponholder were entitled to receive in respect of each Notional Preference Share on a return of assets in such winding-up or such administration, as the case may be, were, in the case of a Security and its Holder, an amount equal to the principal amount of the relevant Security and, in the case of a Coupon and its Couponholder, any accrued and unpaid interest represented by such Coupon (including any accrued but unpaid Deferred Interest in respect of such Coupon) (and, in the case of an administration, on the assumption that shareholders were entitled to claim and recover in respect of their shares to the same degree as in a winding-up).

Accordingly, the claims of holders of all Senior Obligations will first have to be satisfied in any winding-up or analogous proceedings of the Issuer before the Holders or Couponholders may expect to obtain from the Issuer any recovery in respect of their Securities or matured but unpaid Coupons (including any accrued but unpaid Deferred Interest in respect of such Coupons), as the case may be, and prior thereto any Holder or Couponholder will have only limited ability to influence the conduct of such winding-up or analogous proceedings. See "Risk Factors – Risks related to the Securities generally – Limited Remedies".

(b) Set-off

Subject to applicable law, no Holder or Couponholder may exercise, claim or plead any right of set-off, compensation or retention in respect of any amount owed to it by the Issuer in respect of, or arising under or in connection with the Securities or the Coupons and each Holder and Couponholder shall, by virtue of his holding of any Security or Coupon, be deemed to have waived all such rights of set-off, compensation or retention.

4 Interest Payments

(a) Interest Payment Dates

The Securities bear interest on their principal amount at the applicable Interest Rate from (and including) 27 September 2021 (the "**Issue Date**") in accordance with the provisions of this Condition 4.

Subject to Condition 5, interest shall be payable on the Securities annually in arrear on 27 September in each year (each an "**Interest Payment Date**"), as provided in this Condition 4.

(b) Interest Accrual

The Securities (and any unpaid amounts thereon) will cease to bear interest from (and including) the date of redemption thereof pursuant to the relevant paragraph of Condition 6 or the date of substitution or variation thereof pursuant to Condition 7, as the case may be, unless, upon due presentation, payment of all unpaid amounts in respect of the Securities is not made, in which event interest shall continue to accrue in respect of the principal amount of, and any other unpaid amounts on, the Securities, both before and after judgment, and shall be payable, as provided in these Conditions up to (but excluding) the Relevant Date.

Save as provided in Condition 4(c), where it is necessary to compute an amount of interest in respect of any Security for a period which is less than or equal to a complete year, such interest shall be calculated on the basis of the actual number of days in the period from (and including) the most recent Interest Payment Date (or if none, the Issue Date) to (but excluding) the relevant payment date divided by the actual number of days in the Interest Period in which the relevant period falls (including the first such day but excluding the last) (the "**day-count fraction**"). Where it is necessary to compute an amount of interest in respect of any Security for a period of more than one year, such interest shall be the aggregate of the interest computed in respect of a full year plus the interest computed in respect of the remaining period calculated in the manner as aforesaid.

Interest in respect of any Security shall be calculated per €1,000 in principal amount thereof (the "**Calculation Amount**"). The amount of interest calculated per Calculation Amount for any period shall, save as provided in Condition 4(c), be equal to the product of the relevant Interest Rate, the Calculation Amount and the day-count fraction, rounding the resulting figure to the nearest cent (half a cent being rounded upwards). The amount of interest payable in respect of each Security shall be the aggregate of the amounts (determined in the manner provided above) for each Calculation Amount comprising the denomination of such Security without any further rounding.

(c) Initial Interest Rate

The Interest Rate in respect of each Interest Period ending on or before the First Reset Date is 3.750 per cent. per annum (the "**Initial Interest Rate**"). Subject to Condition 5, the Interest Payment in respect of each such Interest Period will amount to €37.50 per Calculation Amount.

(d) Reset Interest Rates

The Interest Rate in respect of each Interest Period falling in a Reset Period shall be the aggregate of the relevant Margin and the relevant 5-year Swap Rate for such Reset Period, all as determined by the Calculation Agent (each a "**Reset Interest Rate**").

(e) Determination of Reset Interest Rates and Calculation of Interest Amounts

The Calculation Agent will, as soon as practicable after 11.00 hours (Frankfurt time) on each Reset Interest Determination Date, determine the Reset Interest Rate in respect of the relevant Reset Period and calculate the amount of interest payable in respect of a Calculation Amount on each Interest Payment Date falling in the period from (but excluding) such relevant Reset Date to (and including) the next Reset Date (the "**Interest Amount**").

(f) Publication of Reset Interest Rates and Interest Amounts

Unless the Securities are to be redeemed on or prior to the First Reset Date, the Issuer shall cause notice of each Reset Interest Rate and the related Interest Amount per Calculation Amount to be given to the Trustee, the Paying Agents, any stock exchange on which the Securities are for the time being listed or admitted to trading and, in accordance with Condition 17, the Holders, in each case as soon as practicable after its determination but in any event not later than the fourth Business Day thereafter.

(g) Calculation Agent and Reference Banks

Unless the Securities are to be redeemed on or prior to the First Reset Date, the Issuer will, no later than fourteen days before the first Reset Interest Determination Date, appoint and thereafter maintain a Calculation Agent.

The Issuer may, with the prior written approval of the Trustee, from time to time replace the Calculation Agent with another independent financial institution. If the Calculation Agent is unable or unwilling to continue to act as the Calculation Agent or fails to determine a Reset Interest Rate or calculate the related Interest Amount or effect the required publication thereof (in each case as required pursuant to these Conditions), the Issuer shall forthwith appoint another independent financial institution approved in writing by the Trustee to act as such in its place. The Calculation Agent may not resign its duties or be removed without a successor having been appointed as aforesaid.

(h) Determinations of Calculation Agent Binding

All notifications, opinions, determinations, certificates, calculations, quotations and decisions given, expressed, made or obtained for the purposes of this Condition 4 by the Calculation Agent shall (in the absence of manifest error) be binding on the Issuer, the Calculation Agent, the Trustee, the Paying Agents and all Holders and Couponholders and (in the absence of wilful default, bad faith or manifest error) no liability to the Holders, the Couponholders or the Issuer shall attach to the Calculation Agent in connection with the exercise or non-exercise by it of any of its powers, duties and discretions.

(i) Benchmark Event

(i) Independent Adviser

Notwithstanding the provisions above in this Condition 4, if the Issuer determines that a Benchmark Event occurs in relation to the Original Reference Rate when any Reset Interest Rate (or any component part thereof) remains to be determined by reference to the Original Reference Rate, the Issuer shall use its reasonable endeavours to appoint an Independent Adviser, as soon as reasonably practicable, to advise the Issuer in determining a Successor

Rate, failing which an Alternative Rate (in accordance with Condition 4(i)(ii)(b)) and, in either case, an Adjustment Spread (in accordance with and subject to Condition 4(i)(iii)) and any Benchmark Amendments (in accordance with Condition 4(i)(iv)).

In advising the Issuer, the Independent Adviser appointed pursuant to this Condition 4(i)(i) shall act in good faith as an expert. In the absence of bad faith or fraud, the Independent Adviser shall have no liability whatsoever to the Issuer, the Trustee, the Paying Agents, the Holders or the Couponholders for any determination made by it or for any advice given to the Issuer in connection with any determination made by the Issuer pursuant to this Condition 4(i).

If, following the occurrence of a Benchmark Event (x) the Issuer is unable to appoint an Independent Adviser; or (y) the Issuer fails to determine a Successor Rate or, failing which, an Alternative Rate in accordance with this Condition 4(i), in each case prior to the Reset Interest Determination Date in respect of a Reset Period, the 5-year Swap Rate applicable to each Interest Period ending during that Reset Period shall be equal to the last annualised mid-swap rate with a term of five years displayed on the Reset Screen Page as determined by the Calculation Agent. For the avoidance of doubt, this paragraph shall apply to the next succeeding Reset Period only, and any subsequent Reset Periods are subject to the subsequent operation of, and to adjustment as provided in, the first paragraph of this Condition 4(i).

(ii) Successor Rate or Alternative Rate

If the Issuer, following consultation with the Independent Adviser, determines that:

(a) there is a Successor Rate, then such Successor Rate and (subject to Condition 4(i)(iii)) the applicable Adjustment Spread shall subsequently be used in place of the Original Reference Rate to determine the Reset Interest Rate (or the relevant component part thereof) for all relevant future payments of interest on the Securities from the end of the then current Reset Period onwards (subject to the subsequent operation of this Condition 4(i)); or

(b) there is no Successor Rate but that there is an Alternative Rate, then such Alternative Rate and (subject to Condition 4(i)(iii)) the applicable Adjustment Spread shall subsequently be used in place of the Original Reference Rate to determine the Reset Interest Rate (or the relevant component part thereof) for all relevant future payments of interest on the Securities from the end of the then current Reset Period onwards (subject to the subsequent operation of this Condition 4(i)).

(iii) Adjustment Spread

The Adjustment Spread (or the formula or methodology for determining the Adjustment Spread) shall be applied (subject to the proviso in the following sentence) to the Successor Rate or the Alternative Rate (as the case may be). If the Issuer, following consultation with the Independent Adviser and acting in good faith and in a commercially reasonable manner, is unable to determine the quantum of, or a formula or methodology for determining, such Adjustment Spread, then the Successor Rate or Alternative Reference Rate (as applicable) will apply without an Adjustment Spread.

(iv) Benchmark Amendments

If any Successor Rate or Alternative Rate and, in either case (subject to Condition 4(i)(iii)), the applicable Adjustment Spread is determined in accordance with this Condition 4(i) and the Issuer, following consultation with the Independent Adviser and acting in good faith and in a commercially reasonable manner, determines (a) that amendments to these Conditions, the Agency Agreement and/or the Trust Deed are necessary to ensure the proper operation of such Successor Rate or Alternative Rate and/or (in either case) the applicable Adjustment Spread (such amendments, the "**Benchmark Amendments**") and (b) the terms of the Benchmark Amendments, then the Issuer shall, subject to giving notice thereof in accordance with Condition 4(i)(v), without any requirement for the consent or approval of Holders or the Couponholders, vary these Conditions, the Agency Agreement and/or the Trust Deed to give effect to such Benchmark Amendments with effect from the date specified in such notice.

At the request of the Issuer, but subject to receipt by the Trustee of a certificate signed by one director of the Issuer pursuant to Condition 4(i)(v), the Trustee shall (at the request and expense of the Issuer), without any requirement for the consent or approval of the Holders or the Couponholders, be obliged to concur with the Issuer in effecting any Benchmark Amendments (including, *inter alia*, by the execution of a supplement to or document amending the Agency Agreement and/or the Trust Deed) and the Trustee shall not be liable to any party for any consequence thereof, provided that the Trustee shall not be obliged so to concur if in the opinion of the Trustee doing so would impose more onerous obligations upon it or expose it to any additional duties, responsibilities or liabilities or reduce or amend the rights and/or the protective provisions afforded to the Trustee in these Conditions, the Agency Agreement or the Trust Deed (including, for the avoidance of doubt, any supplemental agency agreement or supplemental trust deed) in any way.

In connection with any such variation in accordance with this Condition 4(i)(iv), the Issuer shall comply with the rules of any stock exchange on which the Securities are for the time being listed or admitted to trading.

Notwithstanding any other provision of this Condition 4(i), no Successor Rate or Alternative Rate will be adopted, nor any Adjustment Spread applied, nor will any Benchmark Amendments be made, if and to the extent that, in the determination of the Issuer, the same could reasonably be expected to cause a Rating Capital Event and/or an Accounting Event to occur.

(v) Notices, etc.

Any Successor Rate, Alternative Rate, Adjustment Spread and the specific terms of any Benchmark Amendments determined under this Condition 4(i) will be notified promptly by the Issuer to the Trustee, the Agents and, in accordance with Condition 17, the Holders. Such notice shall be irrevocable and shall specify the effective date of the Benchmark Amendments, if any.

No later than notifying the Trustee of the same, the Issuer shall deliver to the Trustee and the Agents a certificate signed by one director of the Issuer:

(I) confirming (a) that a Benchmark Event has occurred, (b) the Successor Rate or, as the case may be, the Alternative Rate, (c) the applicable Adjustment Spread

and (d) the specific terms of the Benchmark Amendments (if any), in each case as determined in accordance with the provisions of this Condition 4(i); and

(II) certifying that the Benchmark Amendments (if any) are necessary to ensure the proper operation of such Successor Rate or Alternative Rate and (in either case) the applicable Adjustment Spread.

The Trustee and the Agents shall be entitled to rely on such certificate (without liability to any person) as sufficient evidence thereof. The Successor Rate or Alternative Rate and the Adjustment Spread and the Benchmark Amendments (if any) specified in such certificate will (in the absence of manifest error or bad faith in the determination of the Successor Rate or Alternative Rate and the Adjustment Spread and the Benchmark Amendments (if any) and without prejudice to the Trustee's ability to rely on such certificate as aforesaid) be binding on the Issuer, the Trustee, the Agents, the Holders and the Couponholders.

(vi) Survival of Original Reference Rate

Without prejudice to the obligations of the Issuer under Conditions 4(i)(i), (ii), (iii) and (iv), the Original Reference Rate and the fallback provisions provided for in Condition 4(d) and the related definitions will continue to apply unless and until the Issuer determines that a Benchmark Event has occurred and the Trustee and Agents have been notified of the Successor Rate or the Alternative Rate (as the case may be) and the Adjustment Spread and any Benchmark Amendments in accordance with this Condition 4(i).

(vii) Definitions

As used in this Condition 4(i):

"**Adjustment Spread**" means either (x) a spread (which may be positive, negative or zero), or (y) a formula or methodology for calculating a spread, in each case to be applied (subject to Condition 4(i)(iii)) to the Successor Rate or the Alternative Rate (as the case may be) and is the spread, formula or methodology which:

(I) in the case of a Successor Rate, is formally recommended in relation to the replacement of the Original Reference Rate with the Successor Rate by any Relevant Nominating Body;

(II) if no such recommendation has been made, or in the case of an Alternative Rate, the Issuer, following consultation with the Independent Adviser, determines, is customarily applied to the relevant Successor Rate or the Alternative Rate (as the case may be) in international debt capital markets transactions to produce an industry-accepted replacement rate for the Original Reference Rate; or

(III) if neither (I) nor (II) above applies, the Issuer, following consultation with the Independent Adviser, determines, is recognised or acknowledged as being the industry standard for over-the-counter derivative transactions which reference the Original Reference Rate, where such rate has been replaced by the Successor Rate or the Alternative Rate (as the case may be).

"**Alternative Rate**" means an alternative benchmark or screen rate which the Issuer, following consultation with the Independent Adviser, determines in accordance with Condition 4(i)(ii) is customarily applied in international debt capital markets transactions for the purposes of determining resettable rates of interest (or the relevant component part thereof) for a reset period of comparable duration and in euro or, if the Issuer (following

consultation with the Independent Adviser) determines that there is no such rate, such other rate as the Issuer, following consultation with the Independent Adviser and acting in good faith and in a commercially reasonable manner, determines in its discretion is most comparable to the Original Reference Rate.

"**Benchmark Amendments**" has the meaning given to it in Condition 4(i)(iv).

"**Benchmark Event**" means:

(I) the Original Reference Rate ceasing to be published for a period of at least five Business Days or ceasing to exist; or

(II) a public statement by the administrator of the Original Reference Rate that it has ceased or that it will cease publishing the Original Reference Rate permanently or indefinitely (in circumstances where no successor administrator has been appointed that will continue publication of the Original Reference Rate); or

(III) a public statement by the supervisor of the administrator of the Original Reference Rate that the Original Reference Rate has been or will be permanently or indefinitely discontinued; or

(IV) a public statement by the supervisor of the administrator of the Original Reference Rate as a consequence of which the Original Reference Rate will be prohibited from being used either generally, or in respect of the Securities; or

(V) a public statement by the supervisor of the administrator of the Original Reference Rate that, in the view of such supervisor, the Original Reference Rate is no longer representative of an underlying market; or

(VI) it has become unlawful for any Agent or the Issuer to calculate any payments due to be made to any Holder or Couponholder using the Original Reference Rate,

provided that the Benchmark Event shall be deemed to occur (a) in the case of sub-paragraphs (II) and (III) above, on the date of the cessation of publication of the Original Reference Rate or the discontinuation of the Original Reference Rate, as the case may be, (b) in the case of sub-paragraph (IV) above, on the date of the prohibition of use of the Original Reference Rate and (c) in the case of sub-paragraph (V) above, on the date with effect from which the Original Reference Rate will no longer be (or will be deemed by the relevant supervisor to no longer be) representative of its relevant underlying market and which is specified in the relevant public statement, and, in each case, not the date of the relevant public statement.

"**Independent Adviser**" means an independent financial institution of international repute or an independent financial adviser, in each case, with appropriate expertise in capital markets appointed by the Issuer at its own expense under Condition 4(i)(i) and notified in writing to the Trustee and the Agents.

"**Original Reference Rate**" means the 5-year Swap Rate (or any component part thereof).

"**Relevant Nominating Body**" means, in respect of a benchmark or screen rate (as applicable):

(I) the central bank for the currency to which the benchmark or screen rate (as applicable) relates, or any central bank or other supervisory authority which is

responsible for supervising the administrator of the benchmark or screen rate (as applicable); or

(II) any working group or committee sponsored by, chaired or co-chaired by or constituted at the request of (a) the central bank for the currency to which the benchmark or screen rate (as applicable) relates, (b) any central bank or other supervisory authority which is responsible for supervising the administrator of the benchmark or screen rate (as applicable), (c) a group of the aforementioned central banks or other supervisory authorities or (d) the Financial Stability Board or any part thereof.

"**Successor Rate**" means a successor to or replacement of the Original Reference Rate which is formally recommended by any Relevant Nominating Body.

5 Optional Interest Deferral

(a) Deferral of Interest Payments

The Issuer may, at its discretion, elect to defer all or part of any Interest Payment (any such deferred Interest Payment, a "**Deferred Interest Payment**") which is otherwise scheduled to be paid on an Interest Payment Date by giving notice (a "**Deferral Notice**") of such election to the Holders in accordance with Condition 17, the Trustee and the Principal Paying Agent not more than 30 nor less than 5 Business Days prior to the relevant Interest Payment Date. Subject to Condition 5(c), if the Issuer elects not to make all or part of any Interest Payment on an Interest Payment Date in accordance with this Condition 5(a), then it will not have any obligation to pay such interest on the relevant Interest Payment Date and any such non-payment of interest will not constitute a default or any other breach by the Issuer of its obligations under the Securities or for any other purpose.

Any Deferred Interest Payment shall itself bear interest (such further interest, together with the Deferred Interest Payment, being "**Deferred Interest**"), at the Interest Rate prevailing from time to time, from (and including) the date on which (but for such deferral) the relevant Deferred Interest Payment would otherwise have been due to be made to (but excluding) the relevant Deferred Interest Settlement Date (as defined below) or, as appropriate, such other date on which such Deferred Interest Payment is paid in accordance with Condition 5(c), in each case such further interest being compounded on each Interest Payment Date.

Non-payment of Deferred Interest (or part thereof) shall not constitute a default by the Issuer under the Securities or for any other purpose, unless such payment is required in accordance with Condition 5(c).

(b) Optional payment of Deferred Interest

Deferred Interest may be paid at the option of the Issuer in whole or in part at any time (the "**Deferred Interest Settlement Date**") following delivery of a notice to such effect given by the Issuer to the Holders in accordance with Condition 17, the Trustee and the Principal Paying Agent not more than 30 nor less than 5 Business Days prior to the relevant Deferred Interest Settlement Date informing them of its election to so settle such Deferred Interest (or part thereof) and specifying the relevant Deferred Interest Settlement Date.

(c) Mandatory payment of Deferred Interest

Notwithstanding the preceding provisions of this Condition 5, the Issuer shall pay any accrued but unpaid Deferred Interest, in whole but not in part, on the first occurring Mandatory Settlement Date following the Interest Payment Date on which a Deferred Interest Payment first arose.

6 Redemption

(a) No Fixed Redemption Date

The Securities are perpetual securities in respect of which there is no fixed redemption date and the Issuer shall only have the right to redeem or repurchase them in accordance with this Condition 6.

(b) Issuer's Call Option

The Issuer may, having given not less than 10 nor more than 30 days' notice to the Trustee, the Principal Paying Agent and, in accordance with Condition 17, the Holders (which notice shall be irrevocable), redeem all, but not some only, of the Securities on any Optional Redemption Date at 100 per cent. of their principal amount together with any accrued and unpaid interest up to (but excluding) the redemption date (including any accrued but unpaid Deferred Interest).

(c) Redemption following a Tax Deductibility Event or Withholding Tax Event

If a Tax Deductibility Event or a Withholding Tax Event has occurred and is continuing, then the Issuer may, having given not less than 10 nor more than 30 days' notice to the Trustee, the Principal Paying Agent and, in accordance with Condition 17, the Holders (which notice shall be irrevocable) and subject to Condition 8, redeem all, but not some only, of the Securities at any time at their Early Redemption Amount; provided, however, that, in the case of a Withholding Tax Event, (1) no such notice of redemption will be given earlier than 90 days prior to the earliest date on which the Issuer would be obliged to pay any Additional Amounts were a payment in respect of the Securities then due and (2) at the time such notice of redemption is given, such obligation to pay such Additional Amounts remains in effect. Upon the expiry of such notice, the Issuer shall redeem the Securities.

(d) Redemption following a Rating Capital Event

If a Rating Capital Event has occurred and is continuing, then the Issuer may, having given not less than 10 nor more than 30 days' notice to the Trustee, the Principal Paying Agent and, in accordance with Condition 17, the Holders (which notice shall be irrevocable) and subject to Condition 8, redeem all, but not some only, of the Securities at any time at their Early Redemption Amount. Upon the expiry of such notice, the Issuer shall redeem the Securities.

(e) Redemption following an Accounting Event

If an Accounting Event has occurred and is continuing, then the Issuer may, subject to having given not less than 10 nor more than 30 days' notice to the Trustee, the Principal Paying Agent and, in accordance with Condition 17, the Holders (which notice shall be irrevocable) and subject to Condition 8, redeem in accordance with these Conditions all, but not some only, of the Securities at any time at their Early Redemption Amount. Upon the expiry of such notice, the Issuer shall redeem the Securities.

(f) Redemption following a Substantial Repurchase Event

If a Substantial Repurchase Event has occurred, then the Issuer may, having given not less than 10 nor more than 30 days' notice to the Trustee, the Principal Paying Agent and, in accordance with Condition 17, the Holders (which notice shall be irrevocable) and subject to Condition 8, redeem all, but not some only, of the Securities at any time at 100 per cent. of their principal amount, together with any accrued and unpaid interest up to (but excluding) the redemption date (including any accrued but unpaid Deferred Interest). Upon the expiry of such notice, the Issuer shall redeem the Securities.

7 Substitution or Variation

If a Rating Capital Event, an Accounting Event, a Tax Deductibility Event or a Withholding Tax Event has occurred and is continuing, then the Issuer may, subject to Condition 8 (without any requirement for the consent or approval of the Holders or Couponholders) and subject to its having satisfied the Trustee immediately prior to the giving of any notice referred to herein that the provisions of this Condition 7 have been complied with, and having given not less than 10 nor more than 30 days' notice to the Trustee, the Principal Paying Agent and, in accordance with Condition 17, the Holders (which notice shall be irrevocable), at any time either (i) substitute all, but not some only, of the Securities for, or (ii) vary the terms of the Securities with the effect that they remain or become, as the case may be, Qualifying Securities, and the Trustee shall (subject to the following provisions of this Condition 7 and subject to the receipt by it of the certificate of a director of the Issuer referred to in Condition 8 below) agree to such substitution or variation but without further responsibility or liability on the part of the Trustee.

Upon expiry of such notice, the Issuer shall either vary the terms of or, as the case may be, substitute the Securities in accordance with this Condition 7.

In connection therewith, any accrued but unpaid Deferred Interest will be satisfied in full in accordance with the provisions of Condition 5(c).

The Trustee shall, without any requirement for the consent or approval of the Holders or Couponholders, execute any documents necessary to effect the substitution of the Securities for, or the variation of the terms of the Securities so that they remain, or as the case may be, become, Qualifying Securities, provided that the Trustee shall not be obliged to execute such documents if, in the Trustee's opinion, doing so would impose more onerous obligations upon it or would expose it to additional duties, responsibilities or liabilities or reduce or amend its rights and/or protections. If the Trustee does not execute any necessary documents as provided above, the Issuer may redeem the Securities as provided in Condition 6.

In connection with any substitution or variation in accordance with this Condition 7, the Issuer shall comply with the rules of any stock exchange on which the Securities are for the time being listed or admitted to trading.

Any such substitution or variation in accordance with the foregoing provisions shall not be permitted if any such substitution or variation would give rise to a Special Event (other than a Substantial Repurchase Event) with respect to the Securities or the Qualifying Securities.

8 Preconditions to Special Event Redemption, Substitution and Variation

Prior to the publication of any notice of redemption pursuant to Condition 6 (other than redemption pursuant to Condition 6(b)) or any notice of substitution or variation pursuant to Condition 7, the Issuer shall deliver to the Trustee a certificate signed by one director of the Issuer stating that the relevant requirement or circumstance giving rise to the right to redeem, substitute or vary is satisfied, and where the relevant Special Event requires measures reasonably available to the Issuer to be taken, the relevant Special Event cannot be avoided by the Issuer taking such measures. In relation to a substitution or variation pursuant to Condition 7, such certificate shall also include further certifications that the terms of the Qualifying Securities are not materially less favourable to Holders than the terms of the Securities, that such determination was reached by the Issuer in consultation with an independent financial institution of international repute or an independent financial adviser or a counsel of international standing, in each case, with appropriate expertise in capital markets appointed by the Issuer at its own expense and that the criteria specified in paragraphs (a) to (i) of the definition of Qualifying Securities will be satisfied by the Qualifying Securities upon issue. The Trustee shall be entitled to accept such certificate without any inquiry or liability as sufficient evidence of the satisfaction of the conditions precedent

set out in such paragraphs, in which event it shall be conclusive and binding on the Holders and the Couponholders.

Any redemption of the Securities in accordance with Condition 6 or any substitution or variation of the Securities in accordance with Condition 7 shall be conditional on all accrued but unpaid Deferred Interest being paid in full in accordance with the provisions of Condition 5 on or prior to the date of such redemption, substitution or, as the case may be, variation, together with any accrued and unpaid interest up to (but excluding) such redemption, substitution or, as the case may be, variation date.

The Trustee is under no obligation to ascertain whether any Special Event or any event which could lead to the occurrence of, or could constitute, any such Special Event has occurred, and will not be responsible to Holders for any loss arising from any failure by the Trustee to so ascertain the occurrence of such an event, and unless and until it shall have express written notice pursuant to the Trust Deed to the contrary, the Trustee may assume that no such Special Event or such other event has occurred.

9 Purchases and Cancellation

(a) Purchases

Each of the Issuer and its Subsidiaries may at any time purchase or procure others to purchase beneficially for its account Securities in any manner and at any price. In each case, purchases will be made together with all unmatured Coupons and Talons appertaining thereto.

(b) Cancellation

All Securities redeemed or substituted by the Issuer pursuant to Condition 6 or 7, as the case may be, (together with all unmatured Coupons and unexchanged Talons relating thereto) will forthwith be cancelled. All Securities purchased by or on behalf of the Issuer or any of its Subsidiaries may, at the option of the Issuer, be held, reissued, resold or surrendered for cancellation (together with all unmatured Coupons and all unexchanged Talons attached to them) to a Paying Agent. Securities held by the Issuer and/or any of its Subsidiaries shall not entitle the holder to vote at any meeting of Holders and shall not be deemed to be outstanding for the purposes of calculating quorums at meetings of Holders or for any other purpose specified in Condition 14.

10 Payments

(a) Method of Payment

(i) Payments of principal and interest will be made against presentation and surrender of Securities or the appropriate Coupons (as the case may be) at the specified office of any of the Paying Agents except that payments of interest in respect of any period not ending on an Interest Payment Date will only be made against presentation and either surrender or endorsement (as appropriate) of the Securities. Such payments will be made by transfer to a euro account maintained by the payee with a bank in a city in which banks have access to the Target System.

(ii) Upon the due date for redemption of any Security, unmatured Coupons relating to such Security (whether or not attached) shall become void and no payment shall be made in respect of them. Where any Security is presented for redemption without all unmatured Coupons relating to it, redemption shall be made only against the provision of such indemnity as the Issuer may require.

(iii) On or after the Interest Payment Date for the final Coupon forming part of a Coupon sheet issued in respect of any Securities, the Talon forming part of such Coupon sheet may be surrendered at the specified office of the Principal Paying Agent in exchange for a further Coupon sheet (and

another Talon for a further Coupon sheet) (but excluding any Coupons that may have become void pursuant to Condition 13).

(b) Payments Subject to Fiscal Laws

Without prejudice to the terms of Condition 12, all payments made in accordance with these Conditions shall be made subject to any fiscal or other laws and regulations applicable in the place of payment. No commissions or expenses shall be charged to the Holders or Couponholders in respect of such payments.

(c) Days for Payments

A Security or Coupon may only be presented for payment on a day on which commercial banks and foreign exchange markets are open in the place of presentation and London (and, in the case of payment by transfer to a euro account, a day on which the Target System is operating). No further interest or other payment will be made as a consequence of the day on which the relevant Security or Coupon may be presented for payment under this paragraph falling after the due date.

11 Enforcement Events

(a) Proceedings

If a default is made by the Issuer for a period of 14 days or more in the payment of any principal or for a period of 21 days or more in the payment of any interest (including any Deferred Interest) in respect of the Securities which is due and payable, then the Issuer shall without notice from the Trustee be deemed to be in default under the Trust Deed, the Securities and the Coupons and the Trustee at its sole discretion may (subject to Condition 11(c)), and if so requested by the holders of at least one-quarter in principal amount of the Securities then outstanding or if so directed by an Extraordinary Resolution shall (subject to Condition 11(c)), institute actions, steps or proceedings for the winding-up of the Issuer and/or prove in the winding-up or administration of the Issuer and/or claim in the liquidation or administration of the Issuer for such payment, such claim being as contemplated in Condition 3(a).

(b) Enforcement

The Trustee may at its discretion (subject to Condition 11(c)) and without further notice institute such actions, steps or proceedings against the Issuer as it may think fit to enforce any term or condition binding on the Issuer under the Trust Deed, the Securities or the Coupons but in no event shall the Issuer, by virtue of the institution of any such proceedings, be obliged to pay any sum or sums sooner than the same would otherwise have been payable by it.

(c) Entitlement of Trustee

The Trustee shall not be bound to take any of the actions referred to in Condition 11(a) or 11(b) above against the Issuer to enforce the terms of the Trust Deed, the Securities or the Coupons or any other action, step or proceedings unless (i) it shall have been so requested by an Extraordinary Resolution of the Holders or in writing by the Holders of at least one-quarter in principal amount of the Securities then outstanding and (ii) it shall have been indemnified and/or secured and/or prefunded to its satisfaction.

(d) Right of Holders

No Holder or Couponholder shall be entitled to proceed directly against the Issuer or to institute actions, steps or proceedings for the winding-up of the Issuer and/or prove in the winding-up or administration of the Issuer and/or claim in the liquidation or administration of the Issuer unless the Trustee, having become so bound to proceed or being able to prove in such winding-up or administration or claim in such liquidation or administration, fails or is unable to do so within 60 days and such failure or inability

shall be continuing, in which case the Holder or Couponholder shall have only such rights against the Issuer as those which the Trustee is entitled to exercise as set out in this Condition 11.

(e) Extent of Holders' remedy

No remedy against the Issuer, other than as referred to in this Condition 11, shall be available to the Trustee (on behalf of the Holders) or the Holders or Couponholders, whether for the recovery of amounts owing in respect of the Securities, the Coupons or under the Trust Deed or in respect of any breach by the Issuer of any of its other obligations under or in respect of the Securities, the Coupons or the Trust Deed.

12 Taxation

All payments of principal and interest by the Issuer will be made without withholding or deduction for or on account of any present or future taxes, duties, assessments or governmental charges (together, "**Taxes**") of whatever nature imposed, levied, collected, withheld or assessed by or on behalf of the United Kingdom or any political subdivision thereof or any authority thereof or therein having power to levy the same unless such withholding or deduction is required by law. In that event, the Issuer shall pay such amounts (the "**Additional Amounts**") as will result in the receipt by the Holders and the Couponholders of such amounts as would have been received by them had no such Taxes been required to be withheld or deducted; provided that no such Additional Amounts will be payable in respect of any Security or Coupon:

(i) presented for payment by or on behalf of a Holder or Couponholder who is liable for such withheld or deducted Taxes by reason of his having some connection with the United Kingdom other than the mere holding of a Security or Coupon; or

(ii) to, or to a third party on behalf of, a Holder or Couponholder if such withholding or deduction may be avoided by complying with any statutory requirement or by making a declaration of non-residence or other similar claim for exemption to any authority of or in the United Kingdom, unless such Holder or Couponholder proves that he is not entitled so to comply or to make such declaration or claim; or

(iii) presented for payment in the United Kingdom; or

(iv) presented for payment more than 30 days after the Relevant Date except to the extent that a Holder or Couponholder would have been entitled to payment of such Additional Amounts if he had presented his Security or Coupon for payment on the thirtieth day after the Relevant Date.

Notwithstanding any other provision of these Conditions, any amounts to be paid on any Security or Coupon by or on behalf of the Issuer will be paid net of any deduction or withholding imposed under Sections 1471 through 1474 of the U.S. Internal Revenue Code of 1986, as amended (the "**Code**") (or any amended or successor provisions), including any regulations thereunder or official interpretations thereof, or required pursuant to an agreement described in Section 1471(b) of the Code or an intergovernmental agreement between the United States and another jurisdiction facilitating the implementation of any of the foregoing (or any fiscal or regulatory legislation, rules or practices implementing such an intergovernmental agreement) (any such withholding or deduction, a "**FATCA Withholding**"). Neither the Issuer nor any other person will be required to pay any Additional Amounts in respect of FATCA Withholding.

References in these Conditions to principal, Interest Payments, Deferred Interest and/or any other amount in respect of interest shall be deemed to include any Additional Amounts which may become payable pursuant to the foregoing provisions or any undertakings given in addition thereto or in substitution therefor pursuant to the Trust Deed.

13 Prescription

Claims against the Issuer in respect of Securities and Coupons (which for this purpose shall not include Talons) will become void unless presented for payment or made, as the case may be, within a period of 10 years in the case of Securities and five years in the case of Coupons from the Relevant Date relating thereto. There shall be no prescription period for Talons but there shall not be included in any Coupon sheet issued in exchange for a Talon any Coupon the claim in respect of which would be void pursuant to this Condition 13 or Condition 10(a)(iii).

14 Meetings of Holders, Modification, Waiver and Substitution

The Trust Deed contains provisions for convening meetings of Holders (including by way of audio or video conference call) to consider any matter affecting their interests or those of Couponholders, including the sanctioning by Extraordinary Resolution (as defined in the Trust Deed) of a modification of any of these Conditions or any provisions of the Trust Deed. Such a meeting may be convened by Holders holding not less than 10 per cent. in principal amount of the Securities for the time being outstanding.

The quorum at any such meeting for passing an Extraordinary Resolution shall be one or more persons holding or representing not less than a clear majority in principal amount of the Securities for the time being outstanding, or at any adjourned meeting one or more persons being or representing Holders whatever the principal amount of the Securities so held or represented, except that at any meeting the business of which includes the modification of certain of these Conditions (including, *inter alia*, the provisions regarding subordination referred to in Condition 3, the terms concerning currency and due dates for payment of principal or Interest Payments in respect of the Securities and reducing or cancelling the principal amount of any Securities or the Interest Rate) and certain other provisions of the Trust Deed, the quorum shall be one or more persons holding or representing not less than three-fourths in principal amount of the Securities for the time being outstanding, or at any adjourned such meeting not less than one-fourth, in principal amount of the Securities for the time being outstanding.

The agreement or approval of the Holders shall not be required in the case of any Benchmark Amendments required by the Issuer pursuant to Condition 4(i), any variation of these Conditions and/or the Trust Deed required to be made in the circumstances described in Condition 7 in connection with the substitution or variation of the terms of the Securities so that they remain or become Qualifying Securities to which the Trustee has agreed pursuant to the relevant provisions of Condition 7.

An Extraordinary Resolution passed at any meeting of Holders will be binding on all Holders, whether or not they are present at the meeting, and on all Couponholders.

The Trust Deed provides that a resolution by way of electronic consents or in writing signed by or on behalf of the holders of not less than 75 per cent. in principal amount of the Securities outstanding shall for all purposes be as valid and effective as an Extraordinary Resolution passed at a meeting of Holders duly convened and held. Such a resolution in writing may be contained in one document or several documents in the same form, each signed by or on behalf of one or more Holders.

The Trustee may agree, without the consent of the Holders or Couponholders, to (i) any modification of these Conditions or of any other provisions of the Trust Deed or the Paying Agency Agreement which is, in the opinion of the Trustee, of a formal, minor or technical nature or is made to correct a manifest error, and (ii) any other modification to (except as mentioned in the Trust Deed), and any waiver or authorisation of any breach or proposed breach by the Issuer of, any of these Conditions or of the provisions of the Trust Deed or the Paying Agency Agreement which is, in the opinion of the Trustee, not materially prejudicial to the interests of the Holders and Couponholders (which will not include, for the avoidance of doubt, any provision entitling the

Holders to institute actions, steps or proceedings for the winding-up of the Issuer in circumstances which are more extensive than those set out in Condition 11). In addition, the Trustee shall be obliged to concur with the Issuer in effecting any Benchmark Amendments in the circumstances and as otherwise set out in Condition 4(i) without the consent or approval of the Holders or Couponholders.

The Trustee may also agree without the consent of the Holders or Couponholders, to the substitution in place of the Issuer as the principal debtor under the Securities and the Trust Deed of any successor in business or Holding Company of the Issuer or any other subsidiary of the Issuer provided that (i) (in the case of any substitution by any other subsidiary of the Issuer or such Holding Company) all payments in respect of the Securities continue to be unconditionally and irrevocably guaranteed by the Issuer or the successor in business of the Issuer in the manner provided in the Trust Deed and (ii) that such substitution would not, in the opinion of the Trustee, be materially prejudicial to the interests of the Holders and Couponholders and subject to the other conditions set out in the Trust Deed. In the case of any proposed substitution, the Trustee may agree, without the consent of the Holders or Couponholders, to a change of the law governing the Securities, the Coupons and/or the Trust Deed, provided that such change would not, in the opinion of the Trustee, be materially prejudicial to the interests of the Holders or the Couponholders.

In connection with any proposed substitution as aforesaid and in connection with the exercise of its trusts, powers, authorities and discretions (including but not limited to those referred to in this Condition 14), the Trustee shall have regard to the general interests of the Holders and Couponholders as a class but shall not have regard to the consequences of such substitution or such exercise for individual Holders or Couponholders. In connection with any substitution or such exercise as aforesaid, no Holder or Couponholder shall be entitled to claim, whether from the Issuer, the Trustee or any other person, any indemnification or payment in respect of any tax consequence of any such substitution or any such exercise upon any individual Holders or Couponholders, except to the extent already provided in Condition 12 and/or any undertaking given in addition thereto or in substitution therefor pursuant to the Trust Deed.

Any such modification, waiver, authorisation, determination or substitution effected in accordance with this Condition 14 shall be binding on all Holders and all Couponholders and, unless the Trustee agrees otherwise, any such modification or substitution shall be notified to the Holders in accordance with Condition 17 as soon as practicable thereafter.

15 Replacement of the Securities, Coupons and Talons

If any Security, Coupon or Talon is lost, stolen, mutilated, defaced or destroyed it may be replaced, subject to applicable laws, regulations and stock exchange or other relevant authority regulations, at the specified office of the Principal Paying Agent as may from time to time be designated by the Issuer for the purpose and notice of whose designation is given to Holders in accordance with Condition 17, on payment by the claimant of the fees and costs incurred in connection therewith and on such terms as to evidence, security and indemnity (which may provide, *inter alia*, that if the allegedly lost, stolen or destroyed Security, Coupon or Talon is subsequently presented for payment or, as the case may be, for exchange for further Coupons, there shall be paid to the Issuer on demand the amount payable by the Issuer in respect of such Securities, Coupons or further Coupons) and otherwise as the Issuer may require. Mutilated or defaced Securities, Coupons or Talons must be surrendered before any replacement Securities, Coupons or Talons will be issued.

16 Indemnification of the Trustee

The Trust Deed contains provisions for the indemnification or prefunding of the Trustee, and/or provision of security for the Trustee, and for its relief from responsibility. The Trustee is entitled to enter into business transactions with the Issuer or any of its subsidiary undertakings, parent undertakings, joint ventures or

associated undertakings without accounting for any profit resulting from these transactions and to act as trustee for the holders of any other securities issued by the Issuer or any of its subsidiary undertakings, parent undertakings, joint ventures or associated undertakings. The Trustee may rely without liability to Holders or Couponholders on a report, confirmation or certificate or any advice of any accountants, financial advisers, financial institution or any other expert, whether or not addressed to it and whether their liability in relation thereto is limited (by its terms or by any engagement letter relating thereto entered into by the Trustee or any other person or in any other manner) by reference to a monetary cap, methodology or otherwise. The Trustee may accept and shall be entitled to rely on any such report, confirmation or certificate or advice and, if the Trustee does so, such report, confirmation or certificate or advice shall be binding on the Issuer, the Trustee and the Holders.

17 Notices

All notices regarding the Securities will be deemed to be validly given if published in a leading English language daily newspaper of general circulation in London. It is expected that such publication will be made in the Financial Times in London. The Issuer shall also ensure that notices are duly published in a manner which complies with the rules and regulations of any stock exchange or any other relevant authority on which the Securities are for the time being listed or by which they have been admitted to trading. Any such notice will be deemed to have been given on the date of the first publication or, where required to be published in more than one newspaper, on the date of the first publication in all required newspapers.

18 Further Issues

The Issuer may from time to time without the consent of the Holders or the Couponholders create and issue further securities ranking *pari passu* in all respects (or in all respects save for the date from which interest thereon accrues and the amount of the first payment of interest on such further securities) and so that such further issue shall be consolidated and form a single series with the outstanding Securities. Any such further securities shall be constituted by a deed supplemental to the Trust Deed.

19 Paying Agents

The initial Paying Agents and their initial specified offices are listed below. The Issuer reserves the right, subject to the approval of the Trustee, at any time to vary or terminate the appointment of any Paying Agent and to appoint additional or other Paying Agents, provided that the Issuer will:

(a) at all times maintain a Principal Paying Agent; and

(b) so long as the Securities are listed on any stock exchange or admitted to trading by any other relevant authority, there will at all times be a Paying Agent with a specified office in such place as may be required by the rules and regulations of the relevant stock exchange or any other relevant authority.

Notice of any such termination or appointment and of any change in the specified offices of the Paying Agents will be given to the Holders in accordance with Condition 17.

If the Principal Paying Agent is unable or unwilling to act as such or if it fails to make a determination or calculation or otherwise fails to perform its duties under these Conditions or the Paying Agency Agreement (as the case may be), the Issuer shall appoint, on terms acceptable to the Trustee, an independent financial institution acceptable to the Trustee to act as such in its place.

20 Governing Law and Jurisdiction

The Trust Deed, the Securities and the Coupons, and any non-contractual obligations arising out of or in connection with them, are governed by, and shall be construed in accordance with, English law.

Each of the parties to the Trust Deed has in the Trust Deed irrevocably agreed that the courts of England are to have jurisdiction to settle any disputes which may arise out of or in connection with the Trust Deed, the Securities and/or the Coupons (including a dispute relating to any non-contractual obligations arising out of or in connection with them) and that accordingly any suit, action or proceedings (together referred to as "**Proceedings**") arising out of or in connection with the Trust Deed, the Securities and the Coupons (including any proceedings relating to any non-contractual obligations arising out of or in connection with them) may be brought in such courts.

Each of the parties to the Trust Deed has in the Trust Deed irrevocably and unconditionally waived any objection which it may have now or hereafter to the laying of the venue of any such Proceedings in any such court and any claim that any such Proceedings have been brought in an inconvenient forum and further irrevocably and unconditionally agreed that a judgment in any such Proceedings brought in the English courts shall be conclusive and binding upon it and may be enforced in the courts of any other jurisdiction.

Nothing contained in this Condition shall limit any right to take Proceedings against any of the parties to the Trust Deed in any other court of competent jurisdiction (outside the Contracting States, as defined in Section 1(3) of the Civil Jurisdiction and Judgments Act 1982, as amended), nor shall the taking of Proceedings in one or more jurisdictions preclude the taking of Proceedings in any other jurisdiction, whether concurrently or not.

Nothing herein shall affect the right to serve proceedings in any other manner permitted by law.

21 Contracts (Rights of Third Parties) Act 1999

No person shall have any right to enforce any term or condition of the Securities by virtue of the Contracts (Rights of Third Parties) Act 1999.

22 Definitions

In these Conditions:

"**5-year Swap Rate**" means (i) the annualised mid-swap rate with a term of five years as displayed on the Reset Screen Page as at approximately 11:00 a.m. (Frankfurt time) on the relevant Reset Interest Determination Date or, (ii) if the 5-year Swap Rate does not appear on such screen page at such time on the relevant Reset Interest Determination Date, the 5-year Swap Rate will be the Reset Reference Bank Rate on such Reset Interest Determination Date, unless a Benchmark Event has occurred, in which case the 5-year Swap Rate will be determined pursuant to and in accordance with Condition 4(i);

the "**5-year Swap Rate Quotations**" means the arithmetic mean of the bid and offered rates for the annual fixed leg (calculated on a 30/360 day count basis) of a fixed-for-floating euro interest rate swap which:

(a) has a term of five years commencing on the relevant Reset Date;

(b) is in an amount that is representative of a single transaction in the relevant market at the relevant time with an acknowledged dealer of good credit in the swap market; and

(c) has a floating leg based on the 6-month EURIBOR rate (calculated on an Act/360 day count basis);

an "**Accounting Event**" shall be deemed to occur if a recognised accountancy firm, acting upon instructions of the Issuer, has delivered a letter or report to the Issuer, stating that, as a result of a change in accounting

principles (or the application thereof) which has been officially adopted after the Issue Date (such date, the "**Accounting Event Adoption Date**"), the Securities may not or may no longer be recorded as "equity" in the audited annual or the semi-annual consolidated financial statements of the Issuer pursuant to the UK-IFRS or any other accounting standards that may replace UK-IFRS; the Accounting Event shall be deemed to have occurred on the Accounting Event Adoption Date notwithstanding any later effective date;

"**Additional Amounts**" has the meaning given in Condition 12;

"**Agents**" means the Paying Agents and the Calculation Agent;

"**Business Day**" means a day, other than a Saturday, Sunday or public holiday, on which commercial banks and foreign exchange markets are open for general business in London and the Target System is operating;

"**Calculation Agent**" has the meaning given to it in the preamble to these Conditions;

"**Calculation Amount**" has the meaning given to it in Condition 4(b);

a "**Compulsory Arrears of Interest Settlement Event**" shall have occurred if:

(i) a Declaration or Payment is made in respect of any Junior Obligations or any Parity Obligations (other than any dividend, distribution or payment which is paid or made exclusively in ordinary shares of the Issuer); or

(ii) the Issuer or any of its Subsidiaries has repurchased, redeemed or otherwise acquired any Junior Obligations or any Parity Obligations,

other than (a) any such Declaration or Payment or such redemption, repurchase or acquisition that is contractually required under the terms of any Junior Obligations or Parity Obligations or required by mandatory operation of law; (b) in relation to sub-paragraph (i) above, any *pro rata* payment of deferred interest on any Parity Obligations which is made simultaneously with a *pro rata* payment of any Deferred Interest provided that such *pro rata* payment on the relevant Parity Obligations is not proportionately more than the *pro rata* settlement of any such Deferred Interest; (c) any such Declaration or Payment in respect of any Junior Obligations or Parity Obligations or any redemption, repurchase or acquisition which is undertaken in connection with any share option, or any free share allocation plan in each case reserved for directors, officers and/or employees of the Issuer or any of its affiliates or any associated liquidity agreements or any associated hedging transactions; (d) any repurchase or acquisition of ordinary shares of the Issuer by or on behalf of the Issuer as part of an intra-day transaction that does not result in an increase in the aggregate number of ordinary shares of the Issuer compared with the ordinary shares held by or on behalf of the Issuer as treasury shares at 8:30 a.m. London time on the Interest Payment Date on which any outstanding Deferred Interest Payment first arose; (e) any redemption, repurchase or acquisition of Parity Obligations that is made for a consideration less than the aggregate nominal or par value of such Parity Obligations that are purchased or acquired: (f) any redemption, repurchase or acquisition of ordinary shares of the Issuer resulting from mandatory obligations or hedging of any convertible securities issued by the Issuer; or (g) any repurchase or acquisition of ordinary shares of the Issuer resulting from the settlement of existing equity derivatives after the Interest Payment Date on which any outstanding Deferred Interest Payment first arose;

"**Conditions**" means these terms and conditions of the Securities, as amended from time to time;

"**Coupon**" has the meaning given in the preamble to these Conditions;

"**Couponholder**" has the meaning given in the preamble to these Conditions;

"**Declaration or Payment**" means the authorisation by resolution of the general meeting of shareholders or the board of directors or other competent corporate body, as the case may be, of the Issuer of the payment, or the

making of, a dividend or other distribution or payment, or, if no such authorisation is required, the payment, or the making of, a dividend or other distribution or payment;

"**Deferral Notice**" has the meaning given in Condition 5(a);

"**Deferred Interest**" has the meaning given in Condition 5(a);

"**Deferred Interest Settlement Date**" has the meaning given in Condition 5(a);

"**Early Redemption Amount**" means, in respect of each Security:

(i) in the case of a Tax Deductibility Event, a Rating Capital Event or an Accounting Event where the relevant date fixed for redemption falls prior to the First Optional Redemption Date, an amount equal to the sum of (x) 100 per cent. of the principal amount of the relevant Security and (y) 1 per cent. of the principal amount of the relevant Security (which amount shall represent a fixed interest amount for the period from (and including) the Issue Date up to (but excluding) the relevant date fixed for redemption payable in addition to any accrued and unpaid interest up to (but excluding) the relevant date fixed for redemption and any accrued and unpaid Deferred Interest);

(ii) in the case of a Tax Deductibility Event, a Rating Capital Event or an Accounting Event where the relevant date fixed for redemption falls on or after the First Optional Redemption Date, an amount equal to 100 per cent. of the principal amount of the relevant Security; and

(iii) in case of a Withholding Tax Event at any time, an amount equal to 100 per cent. of the principal amount of the relevant Security,

in each case (i), (ii) and (iii), together with any accrued and unpaid interest up to (but excluding) the relevant date fixed for redemption (including any accrued but unpaid Deferred Interest) (without double counting);

"**EURIBOR**" means, in respect of any specified currency and any specified period, the interest rate benchmark known as the Euro zone interbank offered rate;

"**Euro zone**" means the zone comprising the Member States of the European Union which adopt or have adopted the Euro as their lawful currency in accordance with the Treaty establishing the European Community, as amended;

"**euro**" or "**€**" means the lawful currency introduced at the start of the third stage of European Economic and Monetary Union pursuant to the Treaty on the Functioning of the European Union, as amended;

"**First Optional Redemption Date**" means 27 June 2029;

"**First Reset Date**" means 27 September 2029;

"**First Step-up Date**" means 27 September 2034;

"**Group**" means the Issuer and its Subsidiaries taken as a whole;

"**Holder**" has the meaning given in the preamble to these Conditions;

"**Holding Company**" means a holding company within the meaning of Section 1159 of the Companies Act 2006;

"**Initial Interest Rate**" has the meaning given in Condition 4(c);

"**Interest Amount**" has the meaning given in Condition 4(e);

"**Interest Payment**" means, in respect the payment of interest on an Interest Payment Date, the amount of interest payable on the presentation and surrender of the Coupon for the relevant Interest Period in accordance with Condition 4;

"**Interest Payment Date**" has the meaning given in Condition 4(a);

"**Interest Period**" means the period beginning on (and including) the Issue Date and ending on (but excluding) the first Interest Payment Date and each successive period beginning on (and including) an Interest Payment Date and ending on (but excluding) the next succeeding Interest Payment Date;

"**Interest Rate**" means the Initial Interest Rate or the relevant Reset Interest Rate, as the case may be;

"**Issue Date**" has the meaning given in Condition 4(a);

"**Issuer**" means British American Tobacco p.l.c.;

"**Junior Obligations**" means ordinary shares in the capital of the Issuer and other securities or obligations issued or owed by the Issuer (including guarantees or indemnities or support arrangements given by the Issuer in respect of securities or obligations owed by other persons) which rank, or are expressed to rank *pari passu* with such ordinary shares;

"**Mandatory Settlement Date**" means each of the following:

(i) the date which is 10 Business Days following the occurrence of a Compulsory Arrears of Interest Settlement Event;

(ii) the next scheduled Interest Payment Date on which interest on the Securities is paid;

(iii) the date on which the Securities are redeemed or repaid in accordance with Condition 3, any paragraph of Condition 6 or Condition 11; and

(iv) the date on which the Securities are substituted for, or the terms of the Securities are varied so that they become, Qualifying Securities in accordance with Condition 7.

"**Margin**" means (i) 3.952 per cent. per annum from and including the First Reset Date to (but excluding) the First Step-up Date, (ii) 4.202 per cent. per annum from (and including) the First Step-up Date to (but excluding) the Second Step-up Date and (iii) 4.952 per cent. per annum from (and including) the Second Step-up Date;

"**Notional Preference Shares**" has the meaning given in Condition 3(a);

"**Official List**" means the Official List of the Financial Conduct Authority in its capacity as competent authority under the Financial Services and Markets Act 2000 (as amended or superseded);

"**Optional Redemption Date**" means (i) any Business Day from (and including) 27 June 2029 to (and including) the First Reset Date and (ii) each Interest Payment Date thereafter;

"**Parity Obligations**" means (if any) the most junior class of preference share capital in the Issuer ranking ahead of the ordinary shares in the capital of the Issuer and any other obligations of (i) the Issuer, issued directly or indirectly by it, which rank, or are expressed to rank, *pari passu* with the Securities or such preference shares or (ii) any Subsidiary of the Issuer having the benefit of a guarantee or support agreement from the Issuer which ranks or is expressed to rank *pari passu* with the Securities or such preference shares;

"**Paying Agency Agreement**" has the meaning given to it in the preamble to these Conditions;

"**Paying Agents**" has the meaning given to it in the preamble to these Conditions;

"**Principal Paying Agent**" has the meaning given to it in the preamble to these Conditions;

"**Qualifying Securities**" means securities that contain terms not materially less favourable to Holders than the terms of the Securities (as reasonably determined by the Issuer (in consultation with an independent investment bank or counsel of international standing)) and provided that a certification to such effect (and confirming that the conditions set out in (a) to (i) below have been satisfied) of one director of the Issuer shall have been delivered to the Trustee prior to the substitution or variation of the Securities upon which certificate the Trustee shall rely absolutely), provided that:

(a) they shall be issued by the Issuer or any wholly-owned direct or indirect finance subsidiary of the Issuer, in each case with a guarantee by the Issuer (other than when the Issuer is the issuer of such securities, if applicable); and

(b) they (and/or, as appropriate, the guarantee as aforesaid) shall rank *pari passu* on a winding-up or administration (in circumstances where the administrator has given notice of its intention to declare and distribute a dividend) of the Issuer with the Securities; and

(c) they shall contain terms which provide for the same Interest Rate from time to time applying to the Securities and preserve the same Interest Payment Dates; and

(d) they shall preserve the obligations (including the obligations arising from the exercise of any right) of the Issuer as to redemption of the Securities, including (without limitation) as to timing of, and amounts payable upon, such redemption; and

(e) they shall preserve any existing rights under these Conditions to any accrued interest which has accrued to Holders and not been paid: and

(f) they shall not contain terms providing for loss absorption through principal write-down or conversion to ordinary shares; and

(g) they shall otherwise contain substantially identical terms (as reasonably determined by the Issuer) to the Securities, save where (without prejudice to the requirement that the terms are not materially less favourable to Holders than the terms of the Securities as described above) any modifications to such terms are required to be made to avoid the occurrence or effect of a Rating Capital Event, an Accounting Event, a Tax Deductibility Event or, as the case may be, a Withholding Tax Event; and

(h) if the Securities were publicly rated by a Rating Agency which has provided a solicited rating at the invitation or with the consent of the Issuer immediately prior to such substitution or variation, they shall have at least the same credit rating immediately after such substitution or variation by each such Rating Agency, as compared with the relevant solicited rating(s) immediately prior to such substitution or variation (as determined by the Issuer using reasonable measures available to it including discussions with the Rating Agencies to the extent practicable); and

(i) they shall be (i) listed on the Official List and admitted to trading on the Market or (ii) listed on such other stock exchange as is a Recognised Stock Exchange at that time as selected by the Issuer;

"**Rating Agency**" means Moody's Investors Service Limited or any of its subsidiaries and successors or S&P Global Ratings Europe Limited or any of its subsidiaries and successors or any rating agency substituted for any of them (or any permitted substitute of them) by the Issuer from time to time with the prior written approval of the Trustee;

a "**Rating Capital Event**" shall be deemed to occur if the Issuer has received, and confirmed in writing to the Trustee that it has so received, confirmation from any Rating Agency then providing a solicited rating of the Issuer and/or the Group and/or the Securities at the invitation of, or with the consent of, the Issuer and in connection with which the Securities are assigned an equity credit, either directly or via a publication by such Rating Agency, that an amendment to, clarification of or change in its equity credit criteria has occurred which

becomes effective on or after the Issue Date (or, if later, effective after the date on which any or all of the Securities are assigned "equity credit" by such Rating Agency for the first time) and as a result of which, but not otherwise, (a) the Securities are no longer eligible or will no longer be eligible in full or in part (or if the Securities have been partially or fully re-financed since the Issue Date and are no longer eligible for "equity credit" from such Rating Agency in part or in full as a result, any or all of the Securities would no longer have been eligible as a result of such amendment to, clarification of or change in the equity credit criteria had they not been re-financed) for the same, or a higher amount of, "equity credit" (or such other nomenclature that the Rating Agency may then use to describe the degree to which an instrument exhibits the characteristics of an ordinary share) as was attributed to the Securities at the Issue Date (or if "equity credit" is not assigned to the Securities by the relevant Rating Agency on the Issue Date, at the date on which "equity credit" is assigned by such Rating Agency for the first time) or (b) the length of time the Securities are assigned a particular level of "equity credit", after being assigned such equity credit for the first time, by that Rating Agency is shortened as compared to the length of time they would have been assigned that level of "equity credit" by that Rating Agency under its prevailing methodology on the Issue Date (or if "equity credit" was not assigned to the Securities by the relevant Rating Agency on the Issue Date, at the date on which "equity credit" is assigned by such Rating Agency for the first time);

"**Recognised Stock Exchange**" means a recognised stock exchange as defined in section 1005 of the Income Tax Act 2007 as the same may be amended from time to time and any provision, statute or statutory instrument replacing the same from time to time;

"**Relevant Date**" means:

(a) in respect of any payment other than a sum to be paid by the Issuer in a winding-up or administration of the Issuer the date on which such payment first becomes due and payable but, if the full amount of the moneys payable on such date has not been received by the Principal Paying Agent or the Trustee on or prior to such date, the Relevant Date means the date on which such moneys shall have been so received and notice to that effect shall have been given to the Holders in accordance with Condition 17; and

(b) in respect of any sum (i) to be paid by or on behalf of the Issuer in a winding-up of the Issuer or (ii) if following the appointment of an administrator of the Issuer the administrator gives notice of an intention to declare and distribute a dividend, to be paid by the administrator by way of such dividend, the date which is one day prior to the date on which an order is made or a resolution is passed for the winding-up or, in the case of an administration, one day prior to the date on which any dividend is distributed;

"**Reset Date**" means each of the First Reset Date and each fifth anniversary thereof;

"**Reset Interest Determination Date**" means, in respect of a Reset Period, the day falling two Business Days prior to the first day of that Reset Period;

"**Reset Interest Rate**" has the meaning given in Condition 4(d);

"**Reset Period**" means each period beginning on (and including) a Reset Date and ending on (but excluding) the next succeeding Reset Date thereafter and "**relevant Reset Period**" shall be construed accordingly;

"**Reset Reference Bank Rate**" means the percentage rate determined on the basis of the 5-year Swap Rate Quotations provided by the Reset Reference Banks to the Calculation Agent at approximately 11:00 a.m. (Frankfurt time) on the relevant Reset Interest Determination Date. If at least three quotations are provided, the Reset Reference Bank Rate will be the arithmetic mean of the quotations provided, eliminating the highest quotation (or, in the event of equality, one of the highest) and the lowest quotation (or, in the event of equality, one of the lowest). If only two quotations are provided, the applicable Reset Reference Bank Rate will be the arithmetic mean of the quotations. If only one quotation is provided, the applicable Reset Reference Bank Rate will be the quotation provided. If no quotations are provided, the applicable Reset Reference Bank Rate shall

be equal to the last annualised mid-swap rate with a term of five years displayed on the Reset Screen Page as determined by the Calculation Agent;

"**Reset Reference Banks**" means five leading swap dealers in the interbank market selected by the Issuer;

"**Reset Screen Page**" means Reuters screen "ICESWAP2" or such other page as may replace it on that information service, or on such other equivalent information service as determined by the Issuer, for the purpose of displaying the annual swap rates for euro swap transactions with a five-year maturity;

"**Second Step-up Date**" means 27 September 2049;

"**Securities**" has the meaning given in the preamble to these Conditions;

"**Senior Obligations**" means all obligations of the Issuer issued directly or indirectly by it other than Parity Obligations and Junior Obligations;

"**Special Event**" means any of a Rating Capital Event, an Accounting Event, a Substantial Repurchase Event, a Tax Deductibility Event or a Withholding Tax Event or any combination of the foregoing;

"**Subsidiary**" means a subsidiary within the meaning of Section 1159 of the Companies Act 2006 and "**Subsidiaries**" shall be construed accordingly;

"**Substantial Repurchase Event**" shall be deemed to occur if prior to the giving of the relevant notice of redemption the Issuer or any of its Subsidiaries repurchases (and effects corresponding cancellations) or redeems Securities in respect of 75 per cent. or more in the principal amount of the Securities initially issued (which shall for this purpose include any further securities issued pursuant to Condition 18);

"**successor in business**" means a company which has acquired as a going concern all or substantially all of the undertaking, assets and liabilities of the Issuer;

"**Talons**" has the meaning given in the preamble to these Conditions;

"**Target System**" means the Trans-European Automated Real-Time Gross Settlement Express Transfer (known as TARGET2) System which was launched on 19 November 2007 or any successor thereto;

"**Taxes**" has the meaning given in Condition 12;

a "**Tax Deductibility Event**" shall be deemed to have occurred if as a result of a Tax Law Change:

(a) in respect of the Issuer's obligation to make any Interest Payment on the next following Interest Payment Date, the Issuer would not be entitled to claim a deduction in respect of the expense recognised by the Issuer for accounting purposes as attributable to such Interest Payment in computing its taxation liabilities in the United Kingdom, or such entitlement is materially reduced or materially delayed (a "**disallowance**"); or

(b) the Securities are prevented from being treated as loan relationships for United Kingdom tax purposes;

(c) in respect of the Issuer's obligation to make any Interest Payment on the next following Interest Payment Date, where a deduction arises in respect of such Interest Payment the Issuer would not to any material extent be entitled to have any loss attributable to, or resulting from, such deduction set against the profits of companies with which it is grouped for applicable United Kingdom tax purposes (whether under the group relief system current as at the Issue Date or any similar system or systems having like effect as may from time to time exist) otherwise than as a result of a disallowance in (a);

and, in each case, the Issuer cannot avoid the foregoing in connection with the Securities by taking measures reasonably available to it, provided that measures reasonably available to the Issuer shall not include allocating a disallowance provided for in (a) above to any other company or security;

"**Tax Law Change**" means a change in or proposed change in, or amendment or proposed amendment to, the laws or regulations of the United Kingdom or any political subdivision or any authority thereof or therein having the power to tax, including any treaty or convention to which the United Kingdom is a party, or any change in the application or interpretation of such laws or regulations or any such treaty or convention, including a decision of any court or tribunal, or any interpretation or pronouncement by any relevant tax authority that provides for a position with respect to such laws or regulations or interpretation thereof that differs from the previously generally accepted position in relation to similar transactions, which change or amendment becomes, or would become, effective on or after the Issue Date;

"**Trust Deed**" has the meaning given in the preamble to these Conditions;

"**Trustee**" has the meaning given in the preamble to these Conditions;

"**UK-IFRS**" means the International Financial Reporting Standards as adopted by the United Kingdom;

"**United Kingdom**" means the United Kingdom of Great Britain and Northern Ireland; and

a "**Withholding Tax Event**" shall be deemed to occur if as a result of a Tax Law Change, in making any payments on the Securities, the Issuer has paid or will or would on the next Interest Payment Date be required to pay Additional Amounts on the Securities and the Issuer cannot avoid the foregoing in connection with the Securities by taking reasonable measures available to it.

The following paragraph does not form part of the terms and conditions of the Securities.

*The Issuer intends (without thereby assuming a legal obligation), that if the Issuer redeems the Securities pursuant to Condition 6(b) or the Issuer or any of its Subsidiaries repurchases the Securities, they will so redeem or repurchase the Securities only to the extent the aggregate principal amount of the Securities to be redeemed or repurchased does not exceed such part of the net proceeds received by the Issuer or any of its Subsidiaries from the sale or issuance by the Issuer or such Subsidiary to third party purchasers (other than group entities of the Issuer) of securities which are assigned by S&P Global Ratings Europe Limited ("**S&P**") an aggregate "equity credit" (or such similar nomenclature used by S&P from time to time) that is equal to or greater than the "equity credit" assigned to the Securities at the time of their issuance (but taking into account any changes in hybrid capital methodology or the interpretation thereof since the issuance of the Securities), unless:*

(i) the rating (or such similar nomenclature then used by S&P) assigned by S&P to the Issuer is at least equal to the rating assigned by S&P to the Issuer on the date of the last issuance of additional Hybrid Securities (excluding refinancings) and the Issuer is of the view that such rating would not fall below this level as a result of such redemption or repurchase; or

(ii) in the case of a repurchase of the Securities, such repurchase, taken together with other repurchases of other Hybrid Securities (as defined below) issued or guaranteed by the Issuer, is of less than (i) 10 per cent. of the aggregate principal amount of the outstanding Hybrid Securities issued or guaranteed by the Issuer in any period of 12 consecutive months or (ii) 25 per cent. of the aggregate principal amount of the outstanding Hybrid Securities issued or guaranteed by the Issuer in any period of 10 consecutive years, provided that in each case such repurchase has no materially negative effect on the Issuer's credit profile; or

(iii) the Securities are not assigned an "equity credit" (or such similar nomenclature then used by S&P) at the time of such redemption or repurchase; or

(iv) in the case of a repurchase, such repurchase relates to an aggregate principal amount of Securities which is less than or equal to the excess (if any) above the maximum aggregate principal amount of the Issuer's hybrid capital to which S&P would assign equity content under its prevailing methodology; or

(v) such redemption or repurchase occurs on or after 27 September 2049.

*"**Hybrid Securities**" means securities that at the time of their issuance were and which continue to be assigned "equity credit" (or such other nomenclature used by S&P from time to time).*

SUMMARY OF PROVISIONS RELATING TO THE SECURITIES WHILE IN GLOBAL FORM

Initial Issue of Securities

Upon the initial deposit of a Temporary Global Security with a common depositary for Euroclear and Clearstream, Luxembourg, as the case may be, will credit each subscriber with a principal amount of the relevant Securities equal to the principal amount of those Securities for which it has subscribed and paid.

The records of such clearing system shall be conclusive evidence of the principal amount of the relevant Securities represented by each Temporary Global Security and a statement issued by such clearing system at any time shall be conclusive evidence of the records of the relevant clearing system at that time.

Relationship of Accountholders with Clearing Systems

Each of the persons shown in the records of Euroclear or Clearstream, Luxembourg as the holder of a Security represented by a Global Security must look solely to Euroclear or Clearstream, Luxembourg (as the case may be) for his share of each payment made by the Issuer to the bearer of such Global Security and in relation to all other rights arising under the Global Securities, subject to and in accordance with the respective rules and procedures of Euroclear or Clearstream, Luxembourg. Such persons shall have no claim directly against the Issuer in respect of payments due on the relevant Securities for so long as the relevant Securities are represented by such Global Security and such obligations of the Issuer will be discharged by payment to the bearer of such Global Security in respect of each amount so paid.

The Trustee may call for any certificate or other document to be issued by Euroclear or Clearstream, Luxembourg as to the principal amount of relevant Securities represented by a Global Security standing to the account of any person. Any such certificate or other document shall, in the absence of manifest error, be conclusive and binding for all purposes. Any such certificate or other document may comprise any form of statement or print out of electronic records provided by the relevant clearing system (including Euroclear's EUCLID or Clearstream, Luxembourg's Cedcom system) in accordance with its usual procedures and in which the holder of a particular principal amount in any other clearing system is clearly identified together with the amount of such holding. The Trustee shall not be liable to any person by reason of having accepted as valid or not having rejected any certificate or other document to such effect purporting to be issued by Euroclear or Clearstream, Luxembourg and subsequently found to be forged or not authentic.

Because the Global Securities will be held by or on behalf of Euroclear and Clearstream, Luxembourg, investors will have to rely on their procedures for transfer, payment and communication with the Issuer.

The Global Securities will be deposited with a common depositary for Euroclear and Clearstream, Luxembourg. Except in the circumstances described in the relevant Global Security, investors will not be entitled to receive Definitive Securities. Euroclear and Clearstream, Luxembourg will maintain records of the interests in the Global Securities. While the Securities are represented by one or more Global Securities, investors will be able to trade their interests only through Euroclear or Clearstream, Luxembourg.

While Securities are represented by one or more Global Securities, the Issuer will discharge its payment obligations under such Securities by making payments to the common depositary for Euroclear and Clearstream, Luxembourg for distribution to their account holders. A Holder of an interest in a Global Security must rely on the procedures of Euroclear and Clearstream, Luxembourg to receive payments under the relevant Securities. The Issuer does not have any responsibility or liability for the records relating to, or payments made in respect of, interests in the Global Securities.

Holders of interests in the Global Securities will not have a direct right to vote in respect of the relevant Securities. Instead, such Holders will be permitted to act only to the extent that they are enabled by Euroclear or Clearstream, Luxembourg.

Exchange

1 Temporary Global Securities

Each Temporary Global Security will be exchangeable, free of charge to the Holder, on or after its Exchange Date, in whole or in part upon certification as to non-U.S. beneficial ownership for interests in a Permanent Global Security.

2 Permanent Global Securities

Each Permanent Global Security will be exchangeable, free of charge to the Holder, on or after its Exchange Date in whole but not in part for Definitive Securities if the relevant Permanent Global Security is held on behalf of Euroclear or Clearstream, Luxembourg and any such clearing system is closed for business for a continuous period of 14 days (other than by reason of holidays, statutory or otherwise) or announces an intention permanently to cease business or in fact does so.

In the event that a Permanent Global Security is exchanged for Definitive Securities, such Definitive Securities shall be issued in the denomination(s) specified in the relevant Conditions only. A Holder who holds a principal amount of less than the minimum so specified denomination will not receive a Definitive Security in respect of such holding and would need to purchase a principal amount of the relevant Securities such that it holds an amount equal to one or more such specified denominations.

3 Delivery of Securities

On or after any due date for exchange the Holder of a Global Security may surrender such Global Security or, in the case of a partial exchange, present it for endorsement to or to the order of the Principal Paying Agent. In exchange for any Global Security, or the part of that Global Security to be exchanged, the Issuer will (a) in the case of a Temporary Global Security exchangeable for a Permanent Global Security, deliver, or procure the delivery of, the relevant Permanent Global Security in an aggregate principal amount equal to that of the whole or that part of the relevant Temporary Global Security that is being exchanged or, in the case of a subsequent exchange, endorse, or procure the endorsement of, the relevant Permanent Global Security to reflect such exchange or (b) in the case of a Permanent Global Security exchangeable for Definitive Securities, deliver, or procure the delivery of, an equal aggregate principal amount of duly executed and authenticated Definitive Securities. In this Prospectus, "**Definitive Securities**" means, in relation to any Permanent Global Security, the Definitive Securities for which such Permanent Global Security may be exchanged (if appropriate, having attached to them all Coupons that have not already been paid on the Global Security and a Talon). Definitive Securities will be security printed in accordance with any applicable legal and stock exchange requirements in or substantially in the form set out in the Schedules to the relevant Trust Deed. On exchange in full of each Permanent Global Security, the Issuer will, if the Holder so requests, procure that it is cancelled and returned to the Holder together with the relevant Definitive Securities.

4 Exchange Date

"**Exchange Date**" means, in relation to a Temporary Global Security, the day falling after the expiry of 40 days after its issue date which is expected to be 7 November 2021 and, in relation to a Permanent Global Security, a day falling not less than 60 days, after that day on which the notice requiring exchange is given and on which

banks are open for business in the city in which the specified office of the Principal Paying Agent is located and in the city in which the relevant clearing system is located.

Amendment to Conditions

The Temporary Global Securities and Permanent Global Securities contain provisions that apply to the Securities which they represent, some of which modify the effect of the terms and conditions of the Securities set out in this Prospectus. The following is a summary of certain of those provisions:

1 Payments

No payment falling due after the Exchange Date will be made on any Temporary Global Security unless exchange for an interest in the relevant Permanent Global Security is improperly withheld or refused. Payments on any Temporary Global Security will only be made against presentation of certification as to non-U.S. beneficial ownership. All payments in respect of Securities represented by a Global Security will be made against presentation for endorsement and, if no further payment falls to be made in respect of the relevant Securities, surrender of such Global Security to or to the order of the Principal Paying Agent or such other Paying Agent as shall have been notified to the Holders for such purpose. A record of each payment so made will be endorsed on each Global Security, which endorsement will be *prima facie* evidence that such payment has been made in respect of the relevant Securities. Each payment so made will discharge the Issuer's obligations in respect thereof. Any failure to make the entries in the records of the relevant clearing system shall not affect such discharge.

For the purpose of any payments made in respect of a Global Security, the relevant place of presentation shall be disregarded for the Securities in the relevant Condition 10(c) (*Days for Payments*).

The records of the relevant clearing systems which reflect the amount of the Holders' interests in the relevant Securities shall be conclusive evidence of the principal amount of relevant Securities represented by the relevant Global Securities.

2 Prescription

Claims against the Issuer in respect of Securities which are represented by a Permanent Global Security will become void unless it is presented for payment within a period of 10 years (in the case of principal) and five years (in the case of interest) from the appropriate Relevant Date (as defined in the relevant Condition 22 (*Definitions*)).

3 Meetings

The Holder of a Permanent Global Security shall (unless such Permanent Global Security represents only one Security) be treated as being two persons for the purposes of any quorum requirements of a meeting of Holders and, at any such meeting, as having one vote in respect of each €1,000 in principal amount of the relevant Securities.

4 Cancellation

Cancellation of any Security represented by a Permanent Global Security which is required by the relevant Conditions to be cancelled (other than upon its redemption) will be effected by reduction in the principal amount of the relevant Permanent Global Security.

5 Purchase

Securities represented by a Permanent Global Security may only be purchased by the Issuer or any of its Subsidiaries if they are purchased together with the right to receive all future payments of interest on those Securities.

6 Issuer's Option

Any option of the Issuer provided for in the relevant Conditions while Securities of a Tranche are represented by a Permanent Global Security shall be exercised by the Issuer giving notice to the Holders within the time limits set out in and containing the information required by the relevant Conditions.

7 Trustee's Powers

In considering the interests of Holders while any Global Security is held on behalf of a clearing system, the Trustee may have regard to any information provided to it by such clearing system or its operator as to the identity (either individually or by category) of its accountholders with entitlements to such Global Security and may consider such interests as if such accountholders were the Holders of the Securities represented by such Global Security.

8 Notices

So long as any Securities are represented by a Global Security and such Global Security is held on behalf of a clearing system, notices to the Holders of Securities of that Tranche may be given by delivery of the relevant notice to that clearing system for communication by it to entitled accountholders in substitution for publication as required by the relevant Conditions or by delivery of the relevant notice to the Holder of the Global Security. Any such notice shall be deemed to have been given to the Holders on the day on which such notice is delivered to the relevant clearing system or to the Holder of the Global Security.

DESCRIPTION OF THE ISSUER

History and development

BAT was incorporated on 23 July 1997 under the laws of England and Wales with registration number 03407696 as a public limited company. BAT was registered as an external company in the Republic of South Africa on 13 October 2008 with the registration number 2008/023963/10 and its representative office in South Africa is located at Waterway House South, No 3 Dock Road, V&A Waterfront, Cape Town 8000, South Africa (P.O. Box 631, Cape Town 8000, South Africa). BAT is domiciled in the United Kingdom. BAT is the parent holding company for the Group. The website of BAT is https://www.bat.com/. No information on such website forms part of this Prospectus except as specifically incorporated by reference, see "*Documents Incorporated by Reference*".

The financial information set out in the section below headed "British American Tobacco" has been extracted without material adjustment from the annual report and consolidated financial statements of BAT for the financial year ended 31 December 2020 prepared in accordance with International Financial Reporting Standards ("**IFRS**") as issued by the IASB, IFRS as adopted by the EU and with those parts of the Companies Act 2006 applicable to companies reporting under IFRS. IFRS as adopted by the EU differs in certain respects from IFRS as issued by the IASB. The differences have no impact on the Group's consolidated financial statements for the periods presented.

British American Tobacco

BAT is a leading, multi-category consumer goods company that provides tobacco and nicotine products to millions of consumers around the world. Spread across six continents, the business is divided into four regions: the United States of America; Americas and Sub Saharan Africa; Europe and North Africa; and Asia-Pacific and Middle East. Effective 1 January 2018, the Group, excluding the Group's associated undertakings, was organised into four regions, being the United States (US – RAI), Asia-Pacific and the Middle East (APME), Americas and Sub-Saharan Africa (AmSSA) and Europe and North Africa (ENA). The Group has a devolved structure, with each local company having responsibility for its operations.

BAT's heritage – and the foundation of its success – is in cigarettes.

However, BAT recognises the world is changing. BAT now has a clear purpose to build "A Better Tomorrow"™ by reducing the health impact of its business.

This entails:

- Committing to providing adult consumers with a wide range of enjoyable and less risky products;
- Continuing to be clear that combustible cigarettes pose serious health risks, and the only way to avoid these risks is not to start or to quit;
- Encouraging those who otherwise continue to smoke, to switch completely to scientifically-substantiated, reduced-risk alternatives;
- Tracking and sharing progress of BAT's transformation.

As such, alongside BAT's traditional cigarette products, BAT's broad portfolio of non-combustible products includes potentially reduced-risk alternatives such as vapour products, THP and modern oral nicotine pouches, as well as traditional oral products such as snus and moist snuff.

The Group's strategic portfolio of brands comprises the Group's strategic combustible brands being Kent, Dunhill, Lucky Strike, Pall Mall, Rothmans, Camel, Newport and Natural American Spirit. The strategic portfolio also includes New Category global brands: Velo (modern oral); Vuse (vapour), and glo (THP).

BAT's ambition is to continue expanding its portfolio with a wider range of enjoyable and less risky products that allow BAT to capture the consumer moments previously associated with tobacco use, reduce harm and satisfy evolving consumer desires.

BAT's ambition is to have 50 million consumers of its non-combustible products by 2030 and to accelerate the growth of its New Category revenues at a faster rate than its total revenue, reaching £5 billion in 2025.

BAT is accelerating its transformation journey to create A Better Tomorrow™ for all its stakeholders.

Adjusted profit from operations for 2020 increased to £11,365 million, compared with £11,130 million in 2019. The Group profit for the year 2020 was £6,564 million, compared with £5,849 million in 2019. Strategic cigarette and THP volumes fell 0.7 per cent. in 2020 to 436 billion (439 billion in 2019).

Restructuring and integration costs

Restructuring costs reflect the costs incurred as a result of initiatives to improve the effectiveness and the efficiency of the Group as a globally-integrated enterprise, including the relevant operating costs of implementing the new operating model. These costs represent additional expenses incurred, which are not related to the normal business and day-to-day activities.

The operating model includes revised organisation structures, standardised processes and shared back -office services underpinned by a global single instance of SAP. These initiatives also include a review of the Group's manufacturing operations, supply chain, overheads and indirect costs, organisational structure and systems and software used. The costs of these initiatives, together with the costs of integrating acquired businesses into existing operations, including acquisition costs, are included in profit from operations.

The adjusting charge in 2020 and 2019 relates to the ongoing restructuring costs associated with the implementation of revisions to the Group's operating model, mainly in relation to Quantum. This programme is expected to deliver at least £1 billion of annualised savings over a three-year period (to 2022) and the charges include the cost of packages in respect of permanent headcount reductions and permanent employee benefit reductions in the Group. The costs also cover the downsizing and factory rationalisation activities in ENA (Netherlands, Hungary and Russia) and APME (2019: ENA (Germany and Russia) and APME).

Also, in 2020, as a consequence of the significant increase in excise in Indonesia, a restructuring programme has been announced which includes the partial closure of the factory operations. As a result of this decision, a £69 million impairment has been recognised in respect of machinery. This impairment charge relates to some of the machinery in use as well machinery held for future use which, following the significant recent changes in consumer preferences, is not expected to be brought in to manufacturing in future. The charge in 2019 also included (in other operating income) amounts related to cash and reversal of deferred consideration associated with the acquisition of TDR d.o.o. (TDR).

Amortisation and impairment of trademarks and similar intangibles

Acquisitions including RAI, TDR and Skandinavisk Tobakskompagni in previous years, have resulted in the capitalisation of trademarks and similar intangibles that are amortised over their expected useful lives, which do not exceed 20 years. The amortisation and impairment charge of £339 million (2019: £481 million) is included in depreciation, amortisation and impairment costs in the income statement. The charge in 2019 included £63 million in relation to Kodiak, £29 million in respect of acquired new category brands that will migrate to the Group's global new category brands in line with the portfolio simplification agenda and £37 million in respect of VapeWild.

Fox River

A Group subsidiary has certain liabilities in respect of indemnities given on the purchase and disposal of former businesses in the United States and in 2011, the subsidiary provided £274 million in respect of claims in relation to environmental clean-up costs of the Fox River.

On 30 September 2014, a Group subsidiary, NCR, Appvion and Windward (each as defined below) entered into a funding agreement with regard to the costs for the clean-up of Fox River (the "**Funding Agreement**").

In January 2017, NCR and Appvion entered into a consent decree with the US Government to resolve how the remaining clean-up will be funded and to resolve further outstanding claims between them. The Consent Decree was approved by a US District Judge in August 2017 but is currently subject to appeal in the US Seventh Circuit Court of Appeals.

In July 2016, the High Court ruled in a Group subsidiary's favour that a dividend of €135 million paid by Windward Prospects Ltd ("**Windward**") to Sequana SA ("**Sequana**") in May 2009 was a transaction made with the intention of putting assets beyond the reach of the Group subsidiary and of negatively impacting its interests. On 10 February 2017, further to a hearing in January 2017 to determine the relief due, the Court found in the Group subsidiary's favour, ordering that Sequana must pay an amount up to the full value of the dividend plus interest which equates to around US$185 million, related to past and future clean-up costs. The Court granted all parties leave to appeal and Sequana a stay in respect of the above payments. In June 2018, the Court of Appeal heard arguments in the Sequana Claims Appeal (as defined below). On 6 February 2019, the Court of Appeal gave judgment upholding the High Court's findings, with one immaterial change to the method of calculating the damages awarded. The Court of Appeal refused applications made by both parties for a further appeal to the U.K. Supreme Court. Both parties applied directly to the U.K. Supreme Court for permission to appeal in March 2019. On 31 July 2019, BTI was granted permission to appeal to the Supreme Court. On the same day, the Supreme Court refused Sequana permission to appeal. Sequana therefore remains liable to pay the above mentioned judgment. The hearing of BTI's appeal took place before the UK Supreme Court on 4 and 5 May 2021 and the judgment is awaited.

Due to the uncertain outcome of the case no asset has been recognised in relation to this ruling. In February 2017, Sequana entered into a process in France seeking court protection (the "**Sauvegarde**"), exiting the Sauvegarde in June 2017. However, following the Court of Appeal judgment in February, Sequana entered into receivership in France, thus staying the execution of the US$185 million judgment in favour of BAT. On 7 March 2019, Sequana announced that it was unable to pay its debts and that it had applied to convert the Sauvegarde into "*redressement judiciaire*", a form of insolvent receivership. On 15 May 2019, the Nanterre Commercial Court made an order place Sequana into formal liquidation proceedings. No payments have been received.

The provision is £70 million at 31 December 2020 (2019: £73 million). Based on the funding agreement, £3 million has been paid in 2020, which includes legal costs of £1 million (2019: £35 million, including legal costs of £3 million).

Other adjusting items

In 2020, the Group incurred £447 million (2019: £874 million; 2018: £294 million) of other adjusting items which have been adjusted within "other operating expenses".

The charge in 2020 primarily includes £487 million (2019: £236 million; 2018: £178 million) of litigation costs. In 2020, this was largely in respect of charges following the development in cases regarding payment obligations under the state settlement agreements with Florida, Texas, Minnesota and Mississippi for brands previously sold to a third party. The Group recognised a charge of £188 million in the period for a final judgment of a case in the Florida court. The Group continues to pursue indemnification remedies in a Delaware court for

payments made to Florida as a result of this judgment. During 2020, the Group also recognised a provision of £212 million related to the settlement discussions with other manufacturers and the states of Texas, Minnesota and Mississippi for payment obligations related to these brands in prior years. In 2020, the charge also includes £87 million predominantly related to other litigation costs including Engle progeny litigation.

Also included in 2020, is a credit of £40 million recognised in relation to the prior year charge associated with the excise dispute in Russia, of which, £14 million is offset in the adjusting items included in taxation.

In August 2019, the Russian tax authority issued a final audit report to JSC British American Tobacco-SPb ("**BAT SpB**") related to the application of legislation introduced in 2017 that prospectively limited the amount of production that could take place prior to excise tax increases, without being subject to higher excise tax rates. The Final audit report sought to retrospectively apply the legislation to the years 2015 to 2017. BAT SpB submitted an appeal to the Federal Tax Services ("**FTS**") objecting to the findings. The FTS accepted some of BAT SpB's arguments and, on 27 January 2020, a final claim was issued by the FTS. As a consequence, the Group recognised a charge of £202 million included in other adjusting items in 2019. The Group also recognised an interest charge of £50 million.

Also, in 2019, a charge of £436 million was incurred in respect of the Quebec class actions.

During 2020, the Group impaired the goodwill arising from Malaysia amounting to £197 million, goodwill arising from the acquisition of Twisp of £11 million and goodwill arising from the acquisition of Blue Nile of £1 million.

During 2019, the Group impaired the goodwill arising from the Bentoel acquisition, amounting to £172 million, goodwill arising from the VapeWild acquisition of £12 million and goodwill arising from the Highendsmoke acquisition of £10 million.

Contingent liabilities and financial commitments

The Group is subject to contingencies pursuant to requirements that it complies with relevant laws, regulations and standards.

Failure to comply could result in restrictions in operations, damages, fines, increased tax, increased cost of compliance, interest charges, reputational damage or other sanctions. These matters are inherently difficult to quantify. In cases where the Group has an obligation as a result of a past event existing at the balance sheet date, if it is probable that an outflow of economic resources will be required to settle the obligation and if the amount of the obligation can be reliably estimated, a provision will be recognised based on best estimates and management judgement.

There are, however, contingent liabilities in respect of litigation, taxes in some countries and guarantees for which no provisions have been made.

General Litigation Overview

There are a number of legal and regulatory actions, proceedings and claims against Group companies related to tobacco and New Category products that are pending in a number of jurisdictions. These proceedings include, among other things, claims for personal injury (both individual claims and class actions) and claims for economic loss arising from the treatment of smoking and health-related diseases (such as medical recoupment claims brought by local governments).

The plaintiffs in these cases seek recovery on a variety of legal theories, including negligence, strict liability in tort, design defect, failure to warn, fraud, misrepresentation, violations of unfair and deceptive trade practices statutes, conspiracy, public nuisance, medical monitoring and violations of competition and antitrust laws. The

plaintiffs seek various forms of relief, including compensatory and, where available, punitive damages, treble or multiple damages and statutory damages and penalties, creation of medical monitoring and smoking cessation funds, disgorgement of profits, attorneys' fees, and injunctive and other equitable relief.

Although alleged damages often are not determinable from a complaint, and the law governing the pleading and calculation of damages varies from jurisdiction to jurisdiction, compensatory and punitive damages have been specifically pleaded in a number of cases, sometimes in amounts ranging into the hundreds of millions and even hundreds of billions of sterling.

With the exception of the *Engle* progeny cases described below, the Group continues to win the majority of tobacco-related litigation claims that reach trial, and a very high percentage of the tobacco-related litigation claims brought against them, including *Engle* progeny cases, continue to be dismissed at or before trial. Based on their experience in tobacco-related litigation and the strength of the defences available to them in such litigation, the Group's companies believe that their successful defence of tobacco-related litigation in the past will continue in the future.

Group companies generally do not settle claims. However, Group companies may enter into settlement discussions in some cases, if they believe it is in their best interests to do so. Exceptions to this general approach include, but are not limited to, actions taken pursuant to 'offer of judgment' statutes and Filter Cases, as defined below. An 'offer of judgment', if rejected by the plaintiff, preserves the Group's right to recover attorneys' fees under certain statutes in the event of a verdict favourable to the Group. Such offers are sometimes made through court-ordered mediations. Other settlements by Group companies include the State Settlement Agreements (as defined below), the funding by various tobacco companies of a US$5.2 billion (approximately £3.8 billion) trust fund contemplated by the Master Settlement Agreement ("**MSA**") to benefit tobacco growers, the original *Broin* flight attendant case, and most of the *Engle* progeny cases pending in US federal court, after the initial docket of over 4,000 such cases was reduced to approximately 400 cases. The Group believes that the circumstances surrounding these claims are readily distinguishable from the current categories of tobacco-related litigation claims involving Group companies.

Although the Group intends to defend all pending cases vigorously, and believes that the Group's companies have valid bases for appeals of adverse verdicts and valid defences to all actions, and that an outflow of resources related to any individual case is not considered probable, litigation is subject to many uncertainties, and, generally, it is not possible to predict the outcome of any particular litigation pending against Group companies, or to reasonably estimate the amount or range of any possible loss. Furthermore, a number of political, legislative, regulatory and other developments relating to the tobacco industry and cigarette smoking have received wide media attention. These developments may negatively affect the outcomes of tobacco-related legal actions and encourage the commencement of additional similar litigation. Therefore, the Group does not provide estimates of the financial effect of the contingent liabilities represented by such litigation, as such estimates are not practicable.

The following table lists the categories of the tobacco-related actions pending against Group companies as of 31 December 2020 and the increase or decrease from the number of cases pending against Group companies as of 31 December 2019. Details of the quantum of past judgments awarded against Group companies, the majority of which are under appeal, are also identified along with any settlements reached during the relevant period. Given the volume and more active nature of the *Engle* progeny cases and the Filter Cases in the US described below, and the fluctuation in the number of such cases and amounts awarded from year to year, the Group presents judgment or settlement figures for these cases on a three-year basis. Where no quantum is identified, either no judgment has been awarded against a Group company, or where a verdict has been reached no quantification of damages has been given, or no settlement has been entered into. Further details on the judgments, damages quantification and settlements are included within the case narratives below.

Case Type	Case Numbers as at 31 December 2020	Case Numbers as at 31 December 2019 (Note 1)	Change in Number Increase/(Decrease)
US tobacco-related actions			
Medical reimbursement cases (Note 2)	2	2	No change
Class actions (Note 3)	20	19	1
Individual smoking and health cases (Note 4)	189	135	54
Engle Progeny Cases (Note 5)	1,400	1,773	(373)
Broin II Cases (Note 6)	1,227	1,228	(1)
Filter Cases (Note 7)	48	51	(3)
State Settlement Agreements – Enforcement and Validity (Note 8)	4	4	No change
Non-US tobacco-related actions			
Medical reimbursement cases	19	18	1
Class actions (Note 9)	12	13	(1)
Individual smoking and health cases (Note 10)	68	81	(13)

(Note 1) This includes cases to which the RAI group companies were a party at such date.

(Note 2) This category of cases includes the Department of Justice action (see below).

(Note 3) See below.

(Note 4) This category of cases includes smoking and health cases alleging personal injuries caused by tobacco use or exposure brought by or on behalf of individual plaintiffs based on theories of negligence, strict liability, breach of express or implied warranty and violations of state deceptive trade practices or consumer protection statutes. The plaintiffs seek to recover compensatory damages, attorneys' fees and costs and punitive damages. Out of the 189 active individual smoking and health cases, four judgments have been returned in the plaintiffs' favour, awarding damages totalling approximately US$147 million (approximately £108 million), which are pending post-trial in trial courts or on appeal. For a further description of these cases, see below.

(Note 5) In July 1998, trial began in *Engle v. R.J. Reynolds Tobacco Co*., a then-certified class action filed in Circuit Court, Miami-Dade County, Florida, against US cigarette manufacturers, including R. J. Reynolds Tobacco Co. ("**RJRT**") (individually, and as successor by merger to Lorillard Tobacco Company ("**Lorillard Tobacco**")) and Brown & Williamson Holdings, Inc. (formerly Brown & Williamson Tobacco Corporation) ("**B&W**"). In July 2000, the jury in Phase II awarded the class a total of approximately US$145 billion (approximately £106 billion) in punitive damages, apportioned US$36.3 billion (approximately £26.6 billion) to RJRT, US$17.6 billion (approximately £12.9 billion) to B&W, and US$16.3 billion (approximately £11.9 billion) to Lorillard Tobacco. This decision was appealed and ultimately resulted in the Florida Supreme Court in December 2006 decertifying the class and allowing judgments entered for only two of the three *Engle* class representatives to stand and setting aside the punitive damages award. Putative *Engle* class members were permitted to file individual lawsuits, deemed '*Engle* progeny cases', against the *Engle* defendants, within one year of the Supreme Court's decision (subsequently extended to 11 January 2008). Between the period 1 January

2018 and 31 December 2020, 33 judgments have been returned in the plaintiffs' favour, awarding damages totalling approximately US$332.2 million (approximately £243 million). Certain of these judgments have been appealed by RJRT and in certain other cases, RJRT still had time to appeal, as of 31 December 2020. For a further description of the *Engle* progeny cases, see below.

(Note 6) *Broin v. Philip Morris, Inc*. was a class action filed in Circuit Court in Miami-Dade County, Florida in 1991 and brought on behalf of flight attendants alleged to have suffered from diseases or ailments caused by exposure to Environmental Tobacco Smoke ("**ETS**") in airplane cabins. Group companies and other cigarette manufacturer defendants settled *Broin*, agreeing to pay a total of US$300 million (approximately £219.5 million) to fund research on the detection and cure of tobacco-related diseases and US$49 million (approximately £35.8 million) in plaintiffs' counsel's fees and expenses. Group companies' share of these payments totalled US$174 million (approximately £127.3 million). *Broin* II cases refer to individual cases by class members. There have been no *Broin* II trials since 2007. For a further description of the *Broin* II cases, see below.

(Note 7) Includes claims brought against Lorillard Tobacco and Lorillard Inc. ("**Lorillard**") by individuals who seek damages resulting from their alleged exposure to asbestos fibres that were incorporated into filter material used in one brand of cigarettes manufactured by a predecessor to Lorillard Tobacco for a limited period of time ending more than 50 years ago. Since 1 January 2018, Lorillard Tobacco and RJRT have paid, or have reached agreement to pay, a total of approximately US$31.3 million (approximately £22.9 million) in settlements to resolve 124 Filter Cases (see below).

(Note 8) Group companies' expenses and payments under the State Settlement Agreements for 2020 amounted to approximately US$3.6 billion (approximately £2.6 billion) in respect of settlement expenses and US$2.9 billion (approximately £2.1 billion) in respect of settlement cash payments (see below). The pending cases referred to above relate to the enforcement, validity or interpretation of the State Settlement Agreements in which RJRT, B&W or Lorillard Tobacco is a party (see below).

(Note 9) Outside the United States, there are 12 class actions being brought against Group companies as of 31 December 2020. These include class actions in the following jurisdictions: Canada (11) and Venezuela (1). For a description of the Group companies' class actions, see below. Pursuant to the judgment in 2015 in the two Quebec Class Actions, the plaintiffs were awarded damages and interest in the amount of CAD$15.6 billion, most of which were on a joint and several basis (approximately £8.9 billion), of which the Group companies' share was CAD$10.4 billion (approximately £5.9 billion). On 1 March 2019, the Quebec Court of Appeal handed down a judgment which largely upheld and endorsed the lower court's previous decision in the Quebec Class Actions, as further described below. The share of the judgment for Imperial Tobacco Canada Limited ("**Imperial**"), the Group's operating company in Canada, was reduced to approximately CAD$9.2 billion (approximately £5.3 billion). For a further description of the Quebec Class Actions, see below. All of the class actions in Canada are currently stayed pursuant to a court order (see below).

(Note 10) As at 31 December 2020, the jurisdictions with the most active individual cases against Group companies were, in descending order: Brazil (31), Italy (14), Chile (8), Canada (6), Argentina (5) and Ireland (2). There were a further two jurisdictions with one active case only. Out of these 68 cases, in 2020, one case in Argentina (Baldassare) returned a first instance judgment on 28 December 2020, in the amount of ARS 685,976 (approximately £6,000) in compensatory damages and ARS 2,500,000 (approximately £22,000) in punitive damages (plus interest), which judgment is subject to appeal, in the plaintiffs' favour as of 31 December 2020.

Certain terms and phrases used in this section may require some explanation.

(i) "Judgment" or "final judgment" refers to the final decision of the court resolving the dispute and determining the rights and obligations of the parties. At the trial court level, for example, a final judgment

generally is entered by the court after a jury verdict and after post-verdict motions have been decided. In most cases, the losing party can appeal a verdict only after a final judgment has been entered by the trial court.

(ii) "Damages" refers to the amount of money sought by a plaintiff in a complaint, or awarded to a party by a jury or, in some cases, by a judge. "Compensatory damages" are awarded to compensate the prevailing party for actual losses suffered, if liability is proved. In cases in which there is a finding that a defendant has acted wilfully, maliciously or fraudulently, generally based on a higher burden of proof than is required for a finding of liability for compensatory damages, a plaintiff also may be awarded "punitive damages". Although damages may be awarded at the trial court stage, a losing party may be protected from paying any damages until all appellate avenues have been exhausted by posting a supersedeas bond. The amount of such a bond is governed by the law of the relevant jurisdiction and generally is set at the amount of damages plus some measure of statutory interest, modified at the discretion of the appropriate court or subject to limits set by a court or statute.

(iii) "Settlement" refers to certain types of cases in which cigarette manufacturers, including RJRT, B&W and Lorillard Tobacco, have agreed to resolve disputes with certain plaintiffs without resolving the cases through trial.

(iv) All sums set out in this section have been converted to GBP and US$ using the following end closing rates as at 31 December 2020: GBP 1 to US$ 1.3670, GBP 1 to CAD$ 1.7415, GBP 1 to Euro 1.1172, GBP 1 to BRL 7.1002, GBP 1 to AOA 895.4418, GBP 1 to NGN 539.6035, GBP 1 to KRW 1484.92, GBP 1 to HRK 8.4326, GBP 1 to JPY 141.1308, GBP 1 to QAR 4.9770 and GBP 1 to SAR 5.128.

US Tobacco Litigation

Group companies, notably RJRT (individually and as successor by merger to Lorillard Tobacco) and B&W as well as other leading cigarette manufacturers, are defendants in a number of product liability cases. In a number of these cases, the amounts of compensatory and punitive damages sought are significant.

The total number of US tobacco product liability cases pending at 31 December 2020 involving RJRT, B&W and/or Lorillard Tobacco was approximately 2,901. As at 31 December 2020, British American Tobacco (Investments) Limited ("**Investments**") has been served as a co-defendant in one of those cases (2018:1). No other UK-based Group company has been served as a co-defendant in any US tobacco product liability case pending as at 31 December 2020.

Since many of these pending cases seek unspecified damages, it is not possible to quantify the total amounts being claimed, but the aggregate amounts involved in such litigation are significant, possibly totalling billions of US dollars. The cases fall into four broad categories: medical reimbursement cases; class actions; individual cases and other claims.

RJRT (individually and as successor by merger to Lorillard Tobacco), American Snuff Company, LLC ("**American Snuff Co**"), Santa Fe Natural Tobacco Company, Inc. ("**SFNTC**"), R. J. Reynolds Vapor Company ("**RJR Vapor**"), RAI, Lorillard, other RAI affiliates and indemnitees, including but not limited to B&W (collectively, the "Reynolds Defendants"), believe that they have valid defences to the tobacco-related litigation claims against them, as well as valid bases for appeal of adverse verdicts against them. The Reynolds Defendants have, through their counsel, filed pleadings and memoranda in pending tobacco-related litigation that set forth and discuss a number of grounds and defences that they and their counsel believe have a valid basis in law and fact.

Scheduled trials. Trial schedules are subject to change, and many cases are dismissed before trial. In the US, there are 30 cases, exclusive of *Engle* progeny cases, scheduled for trial as of 31 December 2020 through 31 December 2021, for the Reynolds Defendants: 19 individual smoking and health cases, 10 Filter Cases and

one non-smoking and health case. There are also approximately 112 *Engle* progeny cases against RJRT (individually and as successor to Lorillard Tobacco) and B&W scheduled for trial through 31 December 2021. It is not known how many of these cases will actually be tried.

Trial results. From 1 January 2018 through 31 December 2020, 83 trials occurred in individual smoking and health, Engle progeny, and Filter Cases in which the Reynolds Defendants were defendants, including 10 where mistrials were declared. Verdicts in favour of the Reynolds Defendants and, in some cases, other defendants, were returned in 27 cases (including one directed verdict after the jury reached an impasse in a punitive damages trial), tried in Florida (25) and Massachusetts (2). Verdicts in favour of the plaintiffs were returned in 37 cases (including one in which the jury found for the plaintiff in Phase I and the parties reached a resolution agreement prior to completion of Phase II), which were tried in Florida (32), the US Virgin Islands (2), and Massachusetts (3). Seven of the cases in Florida were dismissed during trial. Two cases were punitive damages retrials.

(a) Medical Reimbursement Cases

These civil actions seek to recover amounts spent by government entities and other third-party providers on healthcare and welfare costs claimed to result from illnesses associated with smoking.

At 31 December 2020, one US medical reimbursement suit (*Crow Creek Sioux Tribe v. American Tobacco Co.*) was pending against RJRT, B&W and Lorillard Tobacco in a Native American tribal court in South Dakota. The plaintiffs seek to recover actual and punitive damages, restitution, funding of a clinical cessation programme, funding of a corrective public education programme, and disgorgement of unjust profits from sales to minors. No other medical reimbursement suits are pending against these companies by county or other political subdivisions of the states.

US Department of Justice Action

On 22 September 1999, the US Department of Justice brought an action in the US District Court for the District of Columbia against various industry members, including RJRT, B&W, Lorillard Tobacco, B.A.T Industries p.l.c. ("**Industries**") and Investments (*United States v. Philip Morris USA Inc.).* The US Department of Justice initially sought (1) recovery of federal funds expended in providing health care to smokers who developed alleged smoking-related diseases pursuant to the Medical Care Recovery Act and Medicare Secondary Payer provisions of the Social Security Act and (2) equitable relief under the civil provisions of the Racketeer Influenced and Corrupt Organizations Act ("**RICO**"), including disgorgement of roughly US$280 billion (approximately £204.8 billion) in profits the government contended were earned as a consequence of a purported racketeering 'enterprise' along with certain "corrective communications". In September 2000, the district court dismissed the government's Medical Care Recovery Act and Medicare Secondary Payer claims. In February 2005, the US Court of Appeals for the DC Circuit (the "**DC Circuit**") ruled that disgorgement was not an available remedy.

Industries was dismissed for lack of personal jurisdiction on 28 September 2000. In addition, Investments was a defendant at the trial, but intervening changes in controlling law post-trial led to a 28 March 2011 court ruling that the court's Final Judgment and Remedial Order no longer applied to Investments prospectively, and for this reason, Investments would not have to comply with any of the remaining injunctive remedies being sought by the government. As the government did not appeal the 28 March 2011 ruling, this means that Investments is no longer in the case and is not subject to any injunctive relief that the court is expected to order against the remaining defendants. As the case continued as against RJRT and Lorillard Tobacco with respect to injunctive relief and related matters, the following is noted.

The non-jury trial of the RICO portion of the claim began on 21 September 2004 and ended on 9 June 2005. On 17 August 2006, the federal district court issued its Final Judgment and Remedial Order, which found certain defendants, including RJRT, B&W, Lorillard Tobacco and Investments, had violated RICO, but did not impose

any direct financial penalties. The district court instead enjoined the defendants from committing future racketeering acts, participating in certain trade organisations, making misrepresentations concerning smoking and health and youth marketing, and using certain brand descriptors such as 'low tar', 'light', 'ultra-light', 'mild' and 'natural'. The district court also ordered the defendants to issue 'corrective communications' on five subjects, including smoking and health and addiction, and to comply with further undertakings, including maintaining websites of historical corporate documents and disseminating certain marketing information on a confidential basis to the government. In addition, the district court placed restrictions on the defendants' ability to dispose of certain assets for use in the United States, unless the transferee agrees to abide by the terms of the district court's order, and ordered certain defendants to reimburse the US Department of Justice its taxable costs incurred in connection with the case.

Defendants, including RJRT, B&W, Lorillard Tobacco and Investments, appealed, and the US government cross-appealed to the DC Circuit. On 22 May 2009, the DC Circuit affirmed the federal district court's RICO liability judgment, but vacated the order and remanded for further factual findings and clarification as to whether liability should be imposed against B&W, based on changes in the nature of B&W's business operations (including the extent of B&W's control over tobacco operations). The court also remanded on three other discrete issues relating to the injunctive remedies, including for the district court 'to reformulate' the injunction on the use of low-tar descriptors 'to exempt foreign activities that have no substantial, direct, and foreseeable domestic effects,' and for the district court to evaluate whether corrective communications could be required at point-of-sale displays (which requirement the DC Circuit vacated). On 28 June 2010, the US Supreme Court denied the parties' petitions for further review.

On 22 December 2010, the district court dismissed B&W from the litigation. In November 2012, the trial court entered an order setting forth the text of the corrective statements and directed the parties to engage in discussions with the Special Master to implement them. After various proceedings and appeals, the federal district court in October 2017 ordered RJRT and the other US tobacco company defendants to fund the publishing of compelled public statements in various US media outlets, including in newspapers, on television, on the companies' websites, and in onserts on cigarette packaging. The compelled public statements in newspapers and on television were completed in 2018 and in package onserts were completed in mid-2020. Also, the compelled public statements now appear on RJRT websites. The district court is considering mandating the display of the compelled public statements at retail point of sale; an evidentiary hearing is scheduled to begin on 13 June 2022.

(b) Class Actions

At 31 December 2020, RJRT, B&W and Lorillard Tobacco were named as defendants in two separate actions attempting to assert claims on behalf of classes of persons allegedly injured or financially impacted by their smoking, and SFNTC was named in 17 separate cases relating to the use of the words 'natural', '100% additive-free' or 'organic' in Natural American Spirit advertising and promotional materials. If the classes are or remain certified, separate trials may be needed to assess individual plaintiffs' damages. Among the pending class actions, 18 specified the amount of the claim in the complaint, including 17 that alleged that the plaintiffs were seeking in excess of US$5 million (approximately £3.6 million) and one that alleged that the plaintiffs were seeking less than US$75,000 (approximately £54,900) per class member plus unspecified punitive damages.

No Additive/Natural/Organic Claim Cases

A total of 17 putative class actions have been filed in nine US federal district courts against SFNTC, a subsidiary of RAI, which cases generally allege, in various combinations, violations of state deceptive and unfair trade practice statutes, and claim state common law fraud, negligent misrepresentation, and unjust enrichment based on the use of descriptors such as 'natural', 'organic' and '100% additive-free' in the marketing, labelling, advertising, and promotion of SFNTC's Natural American Spirit brand cigarettes. In these actions, the plaintiffs

allege that the use of these terms suggests that Natural American Spirit brand cigarettes are less harmful than other cigarettes and, for that reason, violated state consumer protection statutes or amounted to fraud or a negligent or intentional misrepresentation. The actions seek various categories of recovery, including economic damages, injunctive relief (including medical monitoring and cessation programmes), interest, restitution, disgorgement, treble and punitive damages, and attorneys' fees and costs. In April 2016, in response to a motion by the various plaintiffs, the US Judicial Panel on Multidistrict Litigation ("**JPML**") consolidated these cases for pre-trial purposes before a federal court in New Mexico. On 21 December 2017, that court granted the defendants' motion to dismiss in part, dismissing a number of claims with prejudice, and denied it in part. The district court conducted a five-day hearing on the motion for class certification and on the motion challenging the admissibility of expert opinion testimony in December 2020. The parties filed post-hearing briefs in January 2021 and filed proposed findings of fact and conclusions of law in February 2021. A decision is pending.

Other Putative Class Actions

Jones v. American Tobacco Co. is a putative class action filed in December 1998 in the Circuit Court, Jackson County, Missouri. The action was brought by a plaintiff on behalf of a putative class of Missouri tobacco product users and purchasers against various defendants, including RJRT, B&W and Lorillard Tobacco alleging that the plaintiffs' use of the defendants' tobacco products has caused them to become addicted to nicotine, and seeking an unspecified amount of compensatory and punitive damages. There is currently no activity in this case.

Young v. American Tobacco Co. is a case filed in November 1997 in the Circuit Court, Orleans Parish, Louisiana against various US cigarette manufacturers, including RJRT and B&W, and parent companies of such manufacturers. This putative ETS class action was brought on behalf of a putative class of Louisiana residents who, though not themselves cigarette smokers, have been exposed to second-hand smoke from cigarettes manufactured by the defendants, and who allegedly suffered injury as a result of that exposure, and seeks an unspecified amount of compensatory and punitive damages. In March 2016, the court entered an order staying the case, including all discovery, pending the completion of an ongoing smoking cessation programme ordered by the court in a now-concluded Louisiana state court certified class action, *Scott v. American Tobacco Co.*

Engle Class Action and Engle Progeny Cases (Florida)

In July 1998, trial began in *Engle v. R. J. Reynolds Tobacco Co*., a then-certified class action filed in Circuit Court, Miami-Dade County, Florida, against US cigarette manufacturers, including RJRT, B&W and Lorillard Tobacco. The then-certified class consisted of Florida citizens and residents, and their survivors, who suffered from smoking-related diseases that first manifested between 5 May 1990, and 21 November 1996, and were caused by an addiction to cigarettes. In July 1999, the jury in this Phase I found against RJRT, B&W, Lorillard Tobacco and the other defendants on common issues relating to the defendants' conduct, general causation, the addictiveness of cigarettes, and entitlement to punitive damages.

In July 2000, the jury in Phase II awarded the class a total of approximately US$145 billion (approximately £106 billion) in punitive damages, apportioned US$36.3 billion (approximately £26.6 billion) to RJRT, US$17.6 billion (approximately £12.9 billion) to B&W, and US$16.3 billion (approximately £11.9 billion) to Lorillard Tobacco. The three class representatives in the *Engle* class action were awarded US$13 million (approximately £9.5 million) in compensatory damages.

This decision was appealed and ultimately resulted in the Florida Supreme Court in December 2006 decertifying the class and allowing judgments entered for only two of the three *Engle* class representatives to stand and setting aside the punitive damages award. The court preserved certain of the jury's Phase I findings, including that cigarettes can cause certain diseases, nicotine is addictive, and defendants placed defective cigarettes on the market, breached duties of care, concealed health-related information and conspired. Putative *Engle* class members were permitted to file individual lawsuits, deemed "*Engle* progeny cases", against the *Engle* defendants, within one year of the Supreme Court's decision (subsequently extended to 11 January 2008).

During 2015, RJRT and Lorillard Tobacco, together with Philip Morris USA Inc. ("**PM USA**"), settled virtually all of the *Engle* progeny cases then pending against them in federal district court. The total amount of the settlement was US$100 million (approximately £73.2 million) divided as follows: RJRT US$42.5 million (approximately £31.1 million); PM USA US$42.5 million (approximately £31.1 million); and Lorillard Tobacco US$15 million (approximately £10.9 million). The settlement covered more than 400 federal *Engle* progeny cases but did not cover 12 federal progeny cases previously tried to verdict and then pending on post-trial motions or appeal, and two federal progeny cases filed by different lawyers from the ones who negotiated the settlement for the plaintiffs.

As at 31 December 2020, there were approximately 1,400 *Engle* progeny cases pending in which RJRT, B&W and/or Lorillard Tobacco have all been named as defendants and served. These cases include claims by or on behalf of 1,725 plaintiffs. In addition, as of 31 December 2020, RJRT was aware of seven additional *Engle* progeny cases that have been filed but not served. The number of pending cases fluctuates for a variety of reasons, including voluntary and involuntary dismissals. Voluntary dismissals include cases in which a plaintiff accepts an 'offer of judgment' from RJRT, Lorillard Tobacco and/or RJRT's affiliates and indemnitees. An offer of judgment, if rejected by the plaintiff, preserves RJRT's and Lorillard Tobacco's right to recover attorneys' fees under Florida law in the event of a verdict favourable to RJRT or Lorillard Tobacco, or affiliates of such entities. Such offers are sometimes made through court-ordered mediations.

71 trials occurred in *Engle* progeny cases in Florida state and federal courts against RJRT, B&W and/or Lorillard Tobacco from 1 January 2018 through 31 December 2020, and additional state court trials are scheduled for 2021.

The following chart identifies the number of trials in *Engle* progeny cases as at 31 December 2020 and additional information about the adverse judgments entered:

Trials/verdicts/judgments of individual *Engle* progeny cases from 1 January 2018 through 31 December 2020:

Total number of trials	71
Number of trials resulting in plaintiffs' verdicts	33**
Total damages awarded in final judgments against RJRT	US$332,210,000 (approximately £243 million)
Amount of overall damages comprising 'compensatory damages' (approximately)	US$107,621,000 (of overall US$332,210,000) (approximately £78.7 million of £243 million)
Amount of overall damages comprising 'punitive damages' (approximately)	US$224,589,000 (of overall US$332,210,000) (approximately £164.3 million of £243 million)

** Of the 33 trials resulting in plaintiffs' verdicts 1 January 2018 to 31 December 2020 (note 11):

Number of adverse judgments appealed by RJRT	24 (note 12)
Number of adverse judgments, in which RJRT still has time to file an appeal	0
Number of adverse judgments in which an appeal was not, and can no longer be, sought	8

Appeals of individual *Engle* progeny cases 1 January 2018 to 31 December 2020:

Number of adverse judgments appealed by RJRT	26 (note 13)

Note 11: The 33 trials include two cases that were tried twice (*Gloger v. R.J. Reynolds Tobacco Co. and Bessent-Dixon v. R.J. Reynolds Tobacco Co.*) and one case (*Robert Miller v. R.J. Reynolds Tobacco Co.*) where plaintiff moved for a mistrial following a plaintiff's verdict where the jury awarded no compensatory or punitive damages, and an adverse judgment has not yet been entered.

Note 12: Of the 24 adverse judgments appealed by RJRT as a result of judgments arising in the period 1 January 2018 to 31 December 2020:

(i) 10 appeals remain undecided in the District Courts of Appeal; and one case has been affirmed but the rehearing time is pending; and

(ii) 12 appeals were decided and/or closed in the District Court of Appeals. Of these 12 appeals, seven were affirmed in favour of plaintiff. One was reversed for a new trial, one was voluntarily dismissed and judgment paid, one was involuntarily dismissed, and one was affirmed in part, reversed in part, for additur or a new trial, one was reversed in part for reinstatement of jury's punitive damages verdict and entry of amended final judgment.

Note 13: Of the 26 adverse judgments appealed by RJRT (during the period 1 January 2018 to 31 December 2020):

(i) 10 appeals remain undecided in the District Courts of Appeal and one case affirmed but rehearing time pending;

(ii) 15 were decided and/or closed in the District Courts of Appeal. Of these appeals, nine were affirmed in favour of plaintiff, one was reversed for a new trial, one was voluntarily dismissed and judgment paid, one was involuntarily dismissed, one was affirmed in part, reversed in part, for additur or a new trial, one reversed in part for reinstatement of jury's punitive damages verdict and entry of amended final judgment. Note that one appeal was reversed in the Eleventh Circuit for entry of order granting Defendants' motion for judgment in accordance with the verdict; and

(iii) does not include two cases that were appealed prior to the relevant time period but which remain pending before the Florida Supreme Court.

By statute, Florida applies a US$200 million (approximately £146.3 million) bond cap to all *Engle* progeny cases in the aggregate. Individual bond caps for any given *Engle* progeny case vary depending on the number of judgments in effect at a given time. Judicial attempts by several plaintiffs in the *Engle* progeny cases to challenge the bond cap as violating the Florida Constitution have failed. In addition, bills have been introduced in sessions of the Florida legislature that would eliminate the *Engle* progeny bond cap, but those bills have not been enacted as of 31 December 2020.

In 2020, RJRT or Lorillard Tobacco paid judgments in eight *Engle* progeny cases. Those payments totalled US$73.7 million (approximately £53.9 million) in compensatory or punitive damages. Additional costs were paid in respect of attorneys' fees and statutory interest.

In addition, accruals for damages and attorneys' fees and statutory interest for one case (*Starr-Blundell v. R. J. Reynolds Tobacco Co.)* was recorded in RAI's consolidated balance sheet as of 31 December 2020 to the value of US$69,200 (approximately £50,621).

(c) Individual Cases

As of 31 December 2020, 189 individual cases were pending in the United States against RJRT, B&W and/or Lorillard Tobacco. This category of cases includes smoking and health cases alleging personal injuries caused by tobacco use or exposure brought by or on behalf of individual plaintiffs based on theories of negligence, strict liability, breach of express or implied warranty, and violations of state deceptive trade practices or consumer protection statutes. The plaintiffs seek to recover compensatory damages, attorneys' fees and costs, and punitive damages. The category does not include the *Engle* progeny cases, *Broin* II cases, and Filter Cases discussed above and below. One of the individual cases is brought by or on behalf of an individual or his/her survivors alleging personal injury as a result of exposure to ETS.

The following chart identifies the number of individual cases pending as of 31 December 2020 as against the number pending as of 31 December 2019, along with the number of *Engle* progeny cases, *Broin* II cases, and Filter Cases, which are discussed further below.

Case Type	US Case Numbers 31 December 2020	US Case Numbers 31 December 2019	Change in Number Increase/(Decrease)
Individual Smoking and Health Cases (note 14)	189	135	54
Engle Progeny Cases (Number of Plaintiffs) (note 15)	1,400 (1,725)	1,773 (2,228)	(373) (503)
Broin II Cases (note 16)	1,227	1,228	(1)
Filter Cases (note 17)	48	51	(3)

(Note 14) Out of the 189 pending individual smoking and health cases, four have received adverse verdicts or judgments in the court of first instance or on appeal, and the total amount of those verdicts or judgments is approximately US$147 million (approximately £108 million).

(Note 15) The number of *Engle* progeny cases will fluctuate as cases are dismissed or if any of the dismissed cases are appealed. Please see earlier table above.

(Note 16) *Broin v. Philip Morris, Inc*. was a class action filed in Circuit Court in Miami-Dade County, Florida in 1991 and brought on behalf of flight attendants alleged to have suffered from diseases or ailments caused by exposure to ETS in airplane cabins. In October 1997, RJRT, B&W, Lorillard Tobacco and other cigarette manufacturer defendants settled *Broin*, agreeing to pay a total of US$300 million (approximately £220 million) in three annual US$100 million (approximately £73 million) instalments, allocated among the companies by market share, to fund research on the early detection and cure of diseases associated with tobacco smoke. It also required those companies to pay a total of US$49 million (approximately £36 million) for the plaintiffs' counsel's fees and expenses. RJRT's portion of these payments was approximately US$86 million (approximately £63 million); B&W's was approximately US$57 million (approximately £41 million); and Lorillard Tobacco's was approximately US$31 million (approximately £23 million). The settlement agreement, among other things, limits the types of claims class members may bring and eliminates claims for punitive damages. The settlement agreement also provides that, in individual cases by class members that are referred to as *Broin* II lawsuits, the defendants will bear the burden of proof with respect to whether ETS can cause certain specifically enumerated diseases, referred to as "general causation". With respect to all other liability issues, including whether an individual plaintiff's disease was caused by his or her exposure to ETS in airplane cabins, referred to as "specific causation", individual plaintiffs will bear the burden of proof. On 7 September

1999, the Florida Supreme Court approved the settlement. There have been no *Broin* II trials since 2007. There have been periodic efforts to activate cases and the Group expects this to continue over time.

(Note 17) Includes claims brought against Lorillard Tobacco and Lorillard Inc. by individuals who seek damages resulting from their alleged exposure to asbestos fibres that were incorporated into filter material used in one brand of cigarettes manufactured by a predecessor to Lorillard Tobacco for a limited period of time ending more than 50 years ago. Pursuant to the terms of a 1952 agreement between P. Lorillard Company and H&V Specialties Co., Inc. (the manufacturer of the filter material), Lorillard Tobacco is required to indemnify Hollingsworth & Vose for legal fees, expenses, judgments and resolutions in cases and claims alleging injury from finished products sold by P. Lorillard Company that contained the filter material. As of 31 December 2020, Lorillard Tobacco and/or Lorillard Inc. was a defendant in 48 Filter Cases. Since 1 January 2018, Lorillard Tobacco and RJRT have paid, or have reached agreement to pay, a total of approximately US$31.3 million (approximately £22.8 million) in settlements to resolve 124 Filter Cases.

(d) State Settlement Agreements

In November 1998, the major US cigarette manufacturers, including RJRT, B&W and Lorillard Tobacco, entered into the MSA with attorneys general representing 46 US states, the District of Columbia and certain US territories and possessions. These cigarette manufacturers previously settled four other cases, brought on behalf of Mississippi, Florida, Texas and Minnesota, by separate agreements with each state (collectively and with the MSA, the "**State Settlement Agreements**").

These State Settlement Agreements settled all health care cost recovery actions brought by, or on behalf of, the settling jurisdictions; released the defending major US cigarette manufacturers from various additional present and potential future claims; imposed future payment obligations in perpetuity on RJRT, B&W, Lorillard Tobacco and other major US cigarette manufacturers; and placed significant restrictions on their ability to market and sell cigarettes and smokeless tobacco products. In accordance with the MSA, various tobacco companies agreed to fund a US$5.2 billion (approximately £3.8 billion) trust fund to be used to address the possible adverse economic impact of the MSA on tobacco growers.

RJRT and SFNTC are subject to the substantial payment obligations under the State Settlement Agreements. Payments under the State Settlement Agreements are subject to various adjustments for, among other things, the volume of cigarettes sold, relative market share, operating profit and inflation. RAI's operating subsidiaries' expenses and payments under the State Settlement Agreements for 2017, 2018, 2019 and 2020 and the projected expenses and payments for 2021 and 2022 onwards are set forth below (in millions of US dollars)*:

	2017	2018	2019	2020	2021	2022 and thereafter
Settlement expenses	$2,856	$2,741	$2,762	$3,572		
Settlement cash payments	$4,612	$917	$2,918	$2,848		
Projected settlement expenses					$>3,300	$>3,300
Projected settlement cash payments					$>3,600	$>3,300

* Subject to adjustments for changes in sales volume, inflation, operating profit and other factors. Payments are allocated among the companies on the basis of relative market share or other methods.

The State Settlement Agreements have materially adversely affected RJRT's shipment volumes. RAI believes that these settlement obligations may materially adversely affect the results of operations, cash flows or financial position of RAI and RJRT in future periods. The degree of the adverse impact will depend, among

other things, on the rate of decline in US cigarette sales in the premium and value categories, RJRT's share of the domestic premium and value cigarette categories, and the effect of any resulting cost advantage of manufacturers not subject to the State Settlement Agreements.

In addition, the MSA includes an adjustment that potentially reduces the annual payment obligations of RJRT, Lorillard Tobacco and the other signatories to the MSA, known as "Participating Manufacturers" ("**PMs**"). Certain requirements, collectively referred to as the "Adjustment Requirements", must be satisfied before the Non-Participating Manufacturers ("**NPM**") Adjustment for a given year is available: (i) an Independent Auditor must determine that the PMs have experienced a market share loss, beyond a triggering threshold, to those manufacturers that do not participate in the MSA (such non-participating manufacturers being referred to as "**NPMs**"); and (ii) in a binding arbitration proceeding, a firm of independent economic consultants must find that the disadvantages of the MSA were a significant factor contributing to the loss of market share. This finding is known as a significant factor determination.

When the Adjustment Requirements are satisfied, the MSA provides that the NPM Adjustment applies to reduce the annual payment obligation of the PMs. However, an individual settling state may avoid its share of the NPM Adjustment if it had in place and diligently enforced during the entirety of the relevant year a 'Qualifying Statute' that imposes escrow obligations on NPMs that are comparable to what the NPMs would have owed if they had joined the MSA. In such event, the state's share of the NPM Adjustment is reallocated to other settling states, if any, that did not have in place and diligently enforce a Qualifying Statute.

RJRT and Lorillard Tobacco are or were involved in NPM Adjustment proceedings concerning the years 2003 to 2019. In 2012, RJRT, Lorillard Tobacco, and SFNTC entered into an agreement (the "**Term Sheet**") with certain settling states that resolved accrued and potential NPM adjustments for the years 2003 through 2012 and, as a result, RJRT and SFNTC collectively received, or are to receive, more than US$1.1 billion (approximately £804 million) in credits that, in substantial part, were applied to MSA payments in 2014 through 2017. After an arbitration panel ruled in September 2013 that six states had not diligently enforced their qualifying statutes in the year 2003, additional states joined the Term Sheet. RJRT executed the NPM Adjustment Settlement Agreement on 25 September 2017 (which incorporated the Term Sheet). Since the NPM Adjustment Settlement Agreement was executed, an additional 10 states have joined. NPM proceedings are ongoing and could result in further reductions of the companies' MSA-related payments.

On 18 January 2017, the State of Florida filed a motion to join Imperial Tobacco Group, PLC ("**ITG**") as a defendant and to enforce the Florida State Settlement Agreement, which motion sought payment under the Florida State Settlement Agreement of approximately US$45 million (approximately £33 million) with respect to the four brands (Winston, Salem, Kool and Maverick) that were sold to ITG in the divestiture of certain assets, on 12 June 2015, by subsidiaries or affiliates of RAI and Lorillard, together with the transfer of certain employees and certain liabilities, to a wholly-owned subsidiary of Imperial Brands plc (the "**Divestiture**"), referred to as the "Acquired Brands". The motion also claimed future annual losses of approximately US$30 million per year (approximately £22 million) absent the court's enforcement of the Florida State Settlement Agreement. The State's motion sought, among other things, an order declaring that RJRT and ITG are in breach of the Florida Settlement Agreement and are required, jointly and severally, to make annual payments to the State under the Florida State Settlement Agreement with respect to the Acquired Brands. In addition, on 18 January 2017, PM USA filed a motion to enforce the Florida State Settlement Agreement, asserting among other things that RJRT and ITG breached that agreement by failing to make settlement payments as to the Acquired Brands, which PM USA asserts has improperly shifted settlement payment obligations to PM USA. On 27 January 2017, RJRT sought leave to file a supplemental pleading for breach by ITG of its obligations regarding joinder into the Florida State Settlement Agreement. The Florida court, on 30 March 2017, ruled that ITG should be joined into the enforcement action.

After a bench trial, on 27 December 2017 the court entered an order holding that RJRT (not ITG) is liable for annual settlement payments for the Acquired Brands, finding that ITG did not assume liability for annual settlement payments under the terms of the asset purchase agreement relating to the Divestiture and RJRT remained liable for payments under the Florida State Settlement Agreement as to the Acquired Brands. In January 2018, the auditor of the Florida State Settlement Agreement adjusted the final 2017 invoice for the annual payment and amended the 2015 and 2016 invoices for the respective annual payment and the net operating profit penalty for each of those years under the Florida Settlement Agreement, based on the auditor's interpretation of the court's order. The adjusted invoices reflected amounts due to both the State of Florida and PM USA. In total, the estimated additional amounts due were US$99 million (approximately £72 million) with US$84 million (approximately £61 million) to the State of Florida and US$16 million (approximately £12 million) to PM USA. RJRT advised the auditor that it disputed these amounts, and therefore no further amounts were due or would be paid for those years pending the final resolution of RJRT's appeal of the court's order. On 23 January 2018, RJRT filed a notice of appeal, and on 25 January 2018, RJRT filed an amended notice of appeal, and PM USA filed a notice of appeal as to the court's ruling as to ITG. On 26 January 2018, the State moved for recovery of its attorneys' fees and costs from RJRT. The State and PM USA filed a joint motion for the entry of final judgment on 1 February 2018. The court declined to enter a final judgment until after resolution of the dispute between RJRT and PM USA regarding PM USA's assertion that settlement payment obligations have been improperly shifted to PM USA. On 15 August 2018, the court entered a final judgment in the action (the "**Final Judgment**"). As a result of the Final Judgment, PM USA's challenge to RJRT's accounting assumptions related to the Acquired Brands was rendered moot, subject to reinstatement if ITG joins the Florida State Settlement Agreement or if judgment is reversed. On 29 August 2018, RJRT filed a notice of appeal on the Final Judgment. On 7 September 2018, PM USA filed a notice of appeal with respect to the court's ruling as to ITG. On 12 September 2018, RJRT filed a motion to consolidate RJRT's appeal with the appeal filed by PM USA, which was granted on 1 October 2018. Appellate briefing was completed on 6 February 2020. Oral argument, originally scheduled for 7 April 2020, was conducted through video conference on 9 June 2020. On 29 July 2020, Florida's Fourth District Court of Appeal affirmed the Final Judgement. On 12 August 2020, RJRT filed a motion for rehearing or for certification to the Florida Supreme Court of the 29 July 2020 decision. On 10 June 2020, RJRT posted an additional bond in the amount of US$84,102,984.75 (approximately £61.5 million), over the US$103,694,155.08 (approximately £75.8 million) bond initially posted, to cover additional disputed amounts plus two years of statutory interest. The total amount RJRT bonded for its appeal was US$187,797,139.83 (approximately £138 million). RJRT's motion for rehearing or certification to the Florida Supreme Court was denied on 18 September 2020 and its motion for review was denied by the Florida Supreme Court on 18 December 2020. On 5 October 2020, RJRT satisfied the Final Judgment (approximately US$192,869,589.86 (approximately £140,000,000)) and paid approximately US$3.1 million (approximately £2.2 million) of Florida's attorneys' fees but continues to litigate over the remaining approximately US$300,000 (approximately £219,000) in attorneys' fees. RJRT's appellate bonds were released to RJRT by order dated 5 November 2020. RJRT will seek indemnification from ITG.

On 17 February 2017, ITG filed an action in the Court of Chancery of the State of Delaware seeking declaratory relief and a motion for a temporary restraining order against RAI and RJRT. In its complaint, ITG asked the court to declare various matters related to its rights and obligations under the asset purchase agreement (and related documents) relating to the Divestiture. ITG sought an injunction barring RAI and/or RJRT from alleging in the Florida enforcement litigation that ITG had breached the asset purchase agreement and requiring these companies to litigate issues under the asset purchase agreement in Delaware. Following a hearing on ITG's complaint and motion on 1 March 2017, the Delaware court entered a temporary restraining order that enjoined RAI and RJRT from 'taking offensive action to assert claims against ITG Brands' in the Florida enforcement action, but the order does not prevent RJRT from making arguments in response to claims asserted by the State of Florida, PM USA or ITG in the Florida enforcement litigation. On 24 March 2017, RAI and RJRT answered the ITG complaint and filed a motion to stay proceedings in Delaware pending the outcome of the Florida

enforcement litigation, which motion was denied 18 May 2017. Cross motions for partial judgment on the pleadings were filed focusing on whether ITG's obligation to use 'reasonable best efforts' to join the Florida State Settlement Agreement continued after the 12 June 2015 closing. On 30 November 2017, following argument, the Delaware court ruled in favour of RJRT, holding that ITG's obligation to use its reasonable best efforts to join the Florida Settlement Agreement did not terminate due to the closing of the asset purchase agreement relating to the Divestiture. On 4 January 2019, RJRT filed another motion for partial judgment on the pleadings seeking to resolve two contract-interpretation questions under the asset purchase agreement: first, to the extent RJRT is held liable for any settlement payments based on post-closing sales of the Acquired Brands, ITG assumed this liability, and second, that the asset purchase agreement does not entitle ITG to a unique protection from an equity-fee law that does not yet exist in a Previously Settled State. Argument on RJRT's motion for partial judgment was heard on 4 June 2019. On 23 September 2019, the Delaware Chancery Court declined to resolve, at this time, the first issue, whether ITG had assumed any liability imposed on RJRT for making settlement payments on ITG's brands. The court concluded that both sides had presented reasonable interpretations of the asset purchase agreement, which was therefore ambiguous, so the court would require an evidentiary hearing to interpret the intent of the asset purchase agreement on assumed liabilities. The court also granted RJRT's motion on the second issue and ruled that ITG could not refuse to join the Florida State Settlement Agreement unless a joinder exempted it from a future equity-fee statute. On 1 October 2019, the Chancery Court entered an order on these latest motions for partial judgment on the pleadings. It granted RJRT's motion on the second issue. It denied both parties' motions on the first issue, deferring resolution until after the court receives evidence related to the parties' intent in their contract. On 11 October 2019, ITG filed in the Chancery Court a motion to seek interlocutory appeal in the Supreme Court, which was denied on 31 October 2019. On 31 October 2019, ITG filed a notice of interlocutory appeal directly to the Delaware Supreme Court, which was denied on 7 November 2019. Discovery is currently ongoing with respect to the hearing to interpret the intent of the asset purchase agreement on assumed liabilities.

On 26 March 2018, the State of Minnesota filed a motion against RJRT to enforce the Minnesota State Settlement Agreement, which motion seeks payments under the Minnesota State Settlement Agreement of approximately US$40 million (approximately £29 million) with respect to the Acquired Brands. The motion also claims future annual losses of approximately US$15 million (approximately £11 million) absent the court's enforcement of the Minnesota State Settlement Agreement. The State of Minnesota also filed a separate complaint against ITG, which complaint seeks the same payments. The State's motion against RJRT and complaint against ITG seek, among other things, an order declaring that RJRT and ITG are in breach of the Minnesota State Settlement Agreement and are jointly and severally liable to make annual payments to the State of Minnesota under the Minnesota State Settlement Agreement with respect to the Acquired Brands. In addition, on 28 March 2018, PM USA filed a motion to enforce the Minnesota State Settlement Agreement, asserting, among other things, that RJRT and ITG breached the Minnesota State Settlement Agreement by failing to make settlement payments as to the Acquired Brands, which PM USA asserts has improperly shifted settlement payment obligations to PM USA. On 27 March 2018, the Minnesota court consolidated the motions to enforce and separate complaint against ITG into one proceeding captioned in *re Petition of the State of Minnesota for an Order Compelling Payments of Settlement Proceeds Related to ITG Brands LLC*, Court File No. 62-CV-18-1912. On 11 June 2018, the court held a scheduling conference in the case and by order dated 21 June 2018, set a discovery schedule for the case, under which discovery is complete. A hearing on the motions to enforce to determine if RJRT and/or ITG are liable to make payments on the Acquired Brands was held on 26 June 2019. On 24 September 2019, the Minnesota District Court issued an Order and Memorandum, holding RJRT liable for settlement payments on the Acquired Brands, and determining the issue of whether ITG is a 'successor or assign' of RJRT under the Minnesota State Settlement Agreement is unresolved, reasoning ITG's status depends on whether it satisfied its post-closing obligation to expend its reasonable best efforts to join the Minnesota State Settlement Agreement. On 23 December 2019, ITG filed a motion in the Minnesota District Court seeking certification of an appeal of certain questions arising from the 24 September 2019 order. On 21 January 2020,

a hearing was held on ITG's motion seeking certification of an appeal. On 19 February 2020, the Minnesota District Court entered an Order and Memorandum denying ITG's motion for certification. A multi-day hearing to determine whether ITG is liable for settlement payments was completed on 9 September 2020. The parties filed post-hearing briefs on 13 November 2020. A status conference was held on 3 March 2021, during which the parties agreed to notify the Court of the status of settlement discussions by 15 March 2021. On 15 March 2021, the parties resolved all claims and an order of dismissal was entered by the Minnesota District Court on 17 March 2021.

On 28 January 2019, the State of Texas filed motions in the original Texas health care reimbursement case, brought against the tobacco industry that led to the Texas State Settlement Agreement, to join ITG as a defendant and to enforce the Texas State Settlement Agreement against RJRT and ITG, seeking payment under the Texas State Settlement Agreement of approximately US$125 million (approximately £91 million) with respect to the Acquired Brands that were sold to ITG in the Divestiture. The motion also claimed future annual losses of an unspecified amount absent the court's enforcement of the Texas State Settlement Agreement. The State's motion sought, among other things, an order declaring that RJRT, or in the alternative, ITG, is in breach of the Texas Settlement Agreement and is required to make annual payments to the State under the Texas State Settlement Agreement with respect to the Acquired Brands. In addition, on 29 January 2019, PM USA filed a motion to enforce the Texas State Settlement Agreement, asserting among other things that RJRT and ITG breached that agreement by failing to make settlement payments as to the Acquired Brands, which PM USA asserts has improperly shifted settlement payment obligations to PM USA. After completion of discovery, a hearing on the motions to enforce was held on 30 October 2019. On 25 February 2020, the Court entered a Memorandum Opinion and Order holding that RJRT remains liable for settlement payments on the Acquired Brands under the Texas Settlement Agreement. The Court further held that, although ITG is unambiguously an assign within the meaning of the Texas Settlement Agreement, a final determination of the scope of ITG's obligations under the asset purchase agreement is to be determined in the litigation pending before the Delaware court. Pursuant to the Court's direction, on 9 March 2020 the parties submitted a status report indicating the remaining issues before the Court include RJRT's position that the Court should subtract the equity fee payments made on the Acquired Brands by ITG's distributors from the settlement payments due by RJRT after including the Acquired Brands in calculating damages, whether a final judgment should be entered in favour of ITG, whether a partial final judgment should be entered against RJRT and the State's request for an award of attorneys' fees and costs against RJRT and/or ITG. On 5 May 2020 the Court entered final judgment (later clarified in a 14 August 2020 amended judgment) on the State's motion, ordering RJRT to pay all settlement amounts due on the Acquired Brands under the Texas Settlement Agreement; granting RJRT a full dollar-for-dollar set-off for all equity fee payments made on the Acquired Brands by ITG or its distributors, but holding RJRT liable for any equity fee payments that are lawfully refunded; and ordering the case closed, to be reopened after ITG's liability under the asset purchase agreement is determined by the Delaware court. ITG's equity fee payments to Texas for the Acquired Brands currently equal approximately 90 per cent. of the annual Texas settlement payments for those brands. Thus, the settlement payments for those Acquired Brands exceed ITG's equity fee payments by approximately US$3 million (approximately £2 million) per year. As such, RJRT would owe approximately US$3 million (approximately £2 million) a year after an equity fee credit. Due to how the profit penalty is allocated, RJRT will pay approximately US$10 million (approximately £7 million) less in 2019 in Texas payments than it would have paid had ITG joined, with that trend continuing in future years. However, because ITG made equity fee payments at a substantially lower rate before 2019, and because of how the profit penalty was calculated before now, RJRT owes approximately US$260.4 million (before interest) (approximately £190 million) in past payments under the judgment through 2020. On 3 and 4 June 2020, respectively, RJRT and ITG filed notices of appeal of the 5 May 2020 judgment. In August 2020, RJRT filed a notice of appeal, and in September 2020, the State and ITG filed notices of appeal from the portion of the judgment denying the motion to remove the equity fee set off. RJRT moved to dismiss ITG's appeal for lack of jurisdiction, which motion was ordered by the Fifth Circuit Court of Appeals to be argued with ITG's appeal.

On 2 November 2020 RJRT filed its appellate brief. On 19 January 2021, the parties filed responses. Settlement discussions are ongoing. Under the proposed settlement framework, ITG and RJR Tobacco would split the 2015-2019 payments, ITG would join the settlement agreement and make all payments from 2020 forward, and RJR Tobacco and PM would resolve outstanding payment calculation issues.

In June 2015, ITG joined the Mississippi Settlement Agreement. On 26 December 2018, PM USA filed a Motion to Enforce Settlement Agreement against RJRT and ITG alleging RJRT and ITG failed to act in good faith in calculating the base-year net operating profits for the Acquired Brands, claiming damages of approximately US$6 million (approximately £4 million) through 2017. On 8 June 2021, PM USA and RJRT entered into a settlement agreement resolving the outstanding payment calculation issues. On 11 June 2021, the Mississippi Chancery Court entered an order withdrawing PM USA's motion to enforce. On 3 December 2019, the State of Mississippi filed a Notice of Violation and Motion to Enforce the Settlement Agreement in the Chancery Court of Jackson County, Mississippi against RJRT, PM USA and ITG, seeking a declaration that the base year 1997 net operating profit to be used in calculating the Net Operating Profit Adjustment was not affected by the change in the federal corporate tax rate in 2018 from 35% to 21%, and an order requiring RJRT to pay the approximately US$5 million (approximately £3.6 million) difference in its 2018 payment because of this issue. Determination of this issue may affect RJRT's annual payment thereafter. A hearing on Mississippi's Motion to Enforce Settlement Agreement is scheduled on 6-7 October 2021.

(e) UK — Based Group Companies

As at 31 December 2020, Investments has been served in one dormant individual action in the US (Perry) in which there has been no activity since 1998 following the plaintiff's death in 1997. Given the continued lack of activity, this case will now be considered dormant and closed.

Tobacco-Related Litigation Outside the United States

As at 31 December 2020:

(i) medical reimbursement actions are being brought in Angola, Argentina, Brazil, Canada, Nigeria and South Korea;

(ii) class actions are being brought in Canada and Venezuela; and

(iii) active tobacco product liability claims against the Group's companies existed in 12 markets outside the US. The only markets with five or more claims were Argentina, Brazil, Canada, Chile, Nigeria and Italy.

(a) Medical reimbursement cases

Angola

In or about November 2016, BAT Angola affiliate Sociedade Unificada de Tabacos de Angola ("**SUT**") was served with a collective action filed in the Provincial Court of Luanda, 2nd Civil Section, by the consumer association Associação Angolana dos Direitos do Consumidor ("**AADIC**"). The lawsuit seeks damages of AOA 800,000,000 (approximately £893,400) allegedly incurred by the Angolan Instituto Nacional do Controlo do Cancro ("**INCC**") for the cost of treating tobacco-related disease, non-material damages allegedly suffered by certain individual smokers on the rolls of INCC, and the mandating of certain cigarette package warnings. SUT filed its answer to the claim on or about 5 December 2016. The case remains pending.

Argentina

In 2007, the non-governmental organisation the Argentina Tort Law Association ("**ATLA**") and Emma Mendoza Voguet brought a reimbursement action against Nobleza Piccardo S.A.I.C.y.F. ("**Nobleza**") and Massalín Particulares. The case is being heard in the Contentious Administrative Court. The parties filed conclusive briefs on 20 May 2019 and await the Court's decision.

Canada

On 1 March 2019, the Quebec Court of Appeal handed down a judgment which largely upheld and endorsed the lower court's previous decision in two Quebec class actions (the "**Quebec Class Actions**"), as further described below. The share of the judgment for Imperial, the Group's operating company in Canada, is approximately CAD $9.2 billion (approximately £5.3 billion). As a result of this judgment, there were attempts by the Quebec plaintiffs to obtain payment out of the CAD $758 million (approximately £436 million) on deposit with the court. JTI-MacDonald Corp (a co-defendant in the cases) filed for creditor protection under the Companies' Creditors Arrangement Act (the "**CCAA**") on 8 March 2019. A court order to stay all tobacco litigation in Canada against all defendants (including RJRT and its affiliate R.J. Reynolds Tobacco International Inc. (collectively, the "**RJR Companies**")) until 4 April 2019 was obtained, and the need for a mediation process to resolve all the outstanding litigation across the country was recognised. On 12 March 2019 Imperial filed for creditor protection under the CCAA. In its application Imperial asked the Ontario Superior Court to stay all pending or contemplated litigation against Imperial, certain of its subsidiaries and all other Group companies that were defendants in the Canadian tobacco litigation, including BAT, Investments, Industries and Carreras Rothmans Limited (collectively, the "**UK Companies**"). On 22 March 2019, Rothmans, Benson & Hedges Inc. also filed for CCAA protection and obtained a stay of proceedings (together with the other two stays, the "**Stays**"). The Stays are currently in place until 30 September 2021. While the Stays are in place, no steps are to be taken in connection with the Canadian tobacco litigation with respect to any of the defendants.

The below represents the state of the referenced litigation as at the advent of the Stays.

Following the implementation of legislation enabling provincial governments to recover health-care costs directly from tobacco manufacturers, 10 actions for recovery of health-care costs arising from the treatment of smoking and health-related diseases have been brought. These proceedings name various Group companies as defendants, including the UK Companies and Imperial as well as the RJR Companies. Pursuant to the terms of the 1999 sale of RJRT's international tobacco business to Japan Tobacco Incorporated ("**JTI**"), JTI has agreed to indemnify RJRT for all liabilities and obligations (including litigation costs) arising in respect of the Canadian recoupment actions. Subject to a reservation of rights, JTI has assumed the defence of the RJR Companies in these actions.

The 10 cases were proceeding in British Columbia, New Brunswick, Newfoundland and Labrador, Ontario, Quebec, Manitoba, Alberta, Saskatchewan, Nova Scotia and Prince Edward Island. The enabling legislation is in force in all 10 provinces. In addition, legislation has received Royal Assent in two of the three territories in Canada, but has yet to be proclaimed into force.

Canadian province	Act pursuant to which Claim was brought	Companies named as Defendants	Current stage
British Columbia	Tobacco Damages and Health Care Costs Recovery Act 2000	Imperial Investments Industries Carreras Rothmans Limited RJR Companies Other former Rothmans Group companies	The defences of Imperial, Investments, Industries, Carreras Rothmans Limited and the RJR Companies have been filed, and document production and discoveries were ongoing. On 13 February 2017 the province delivered an expert report dated October 2016, quantifying its damages in the amount of CAD$118 billion

Canadian province	Act pursuant to which Claim was brought	Companies named as Defendants	Current stage
		All have been served.	(approximately £67 billion). No trial date has been set. The federal government is seeking CAD$5 million (approximately £3 million) jointly from all the defendants in respect of costs pertaining to the third-party claim, now dismissed.
New Brunswick	Tobacco Damages and Health Care Costs Recovery Act 2006	Imperial, the UK Companies and RJR Companies have all been named as defendants and served.	The defences of Imperial, the UK Companies and the RJR Companies have been filed and document production and discoveries are substantially complete. The most recent expert report filed by the province estimated a range of damages between CAD$11.1 billion (approximately £6.3 billion) and CAD$23.2 billion (approximately £13.3 billion), including expected future costs. Following a motion to set a trial date, the New Brunswick Court of Queen's Bench ordered that the trial commence on 4 November 2019. On 7 March 2019, the New Brunswick Court of Queen's Bench released a decision which requires the province to produce a substantial amount of additional documentation and data to the defendants. As a result, the original trial date of 4 November 2019 would have been delayed. No new trial date has been set.
Ontario	Tobacco Damages and Health Care Costs Recovery Act 2009	Imperial, the UK Companies and the RJR Companies have all been named as defendants and served.	The defences of Imperial, the UK Companies and the RJR Companies have been filed. The parties completed significant document production in the summer of 2017 and discoveries commenced in the autumn of

Canadian province	Act pursuant to which Claim was brought	Companies named as Defendants	Current stage
			2018. On 15 June 2018, the province delivered an expert report quantifying its damages in the range of CAD$280 billion (approximately £161 billion) – CAD$630 billion (approximately £362 billion) in 2016/2017 dollars for the period 1954 – 2060, and the province amended the damages sought in its Statement of Claim to CAD$330 billion (approximately £190 billion). On 31 January 2019, the province delivered a further expert report claiming an additional amount between CAD$9.4 billion (approximately £5.4 billion) and CAD$10.9 billion in damages (approximately £6.3 billion) in respect of ETS. No trial date has been set.
Newfoundland and Labrador	Tobacco Health Care Costs Recovery Act 2001	Imperial, the UK Companies and the RJR Companies have all been named as defendants and served.	The case is at an early case management stage. The defences of Imperial, the UK Companies and the RJR Companies have been filed and the province began its document production in March 2018. Damages have not been quantified by the province. No trial date has been set.
Saskatchewan	Tobacco Damages and Health Care Costs Recovery Act 2007	Imperial, the UK Companies and the RJR Companies have all been named as defendants and served.	This case is at an early case management stage. The defences of Imperial, the UK Companies and the RJR Companies have been filed and the province has delivered a test shipment of documents. Damages have not been quantified by the province. No trial date has been set.

Canadian province	Act pursuant to which Claim was brought	Companies named as Defendants	Current stage
Manitoba	Tobacco Damages Health Care Costs Recovery Act 2006	Imperial, the UK Companies and RJR Companies have all been named as defendants and served.	This case is at an early case management stage. The defences of Imperial, the UK Companies and the RJR Companies have been filed and document production commenced. Damages have not been quantified by the province. No trial date has been set.
Alberta	Crown's Right of Recovery Act 2009	Imperial, the UK Companies and RJR Companies have all been named as defendants and served.	This case is at an early case management stage. The defences of Imperial, the UK Companies and the RJR Companies have been filed and the province commenced its document production. The province has stated its claim to be worth CAD$10 billion (approximately £5.7 billion). No trial date has been set.
Quebec	Tobacco Related Damages and Health Care Costs Recovery Act 2009	Imperial, Investments, Industries, the RJR Companies and Carreras Rothmans Limited have been named as defendants and served.	The case is at an early case management stage. The defences of Imperial, Investments, Industries, Carreras Rothmans Limited and the RJR Companies have been filed. Motions over admissibility of documents and damages discovery have been filed but not heard. The province is seeking CAD$60 billion (approximately £34.5 billion). No trial date has been set.
Prince Edward Island	Tobacco Damages and Health Care Costs Recovery Act 2009	Imperial, the UK Companies and RJR Companies have all been named as defendants and served.	This case is at an early case management stage. The defences of Imperial, the UK Companies and the RJR Companies have been filed and the next step was expected to be document production, which the parties deferred for the time being. Damages have not been

Canadian province	Act pursuant to which Claim was brought	Companies named as Defendants	Current stage
			quantified by the province. No trial date has been set.
Nova Scotia	Tobacco Health Care Costs Recovery Act 2005	Imperial, the UK Companies and RJR Companies have all been named as defendants and served.	This case is at an early case management stage. The defences of Imperial, the UK Companies and the RJR Companies have been filed. The province provided a test document production in March 2018. Damages have not been quantified by the province. No trial date has been set.

Nigeria

British American Tobacco (Nigeria) Limited ("**BAT Nigeria**"), BAT and Investments have been named as defendants in a medical reimbursement action by the federal government of Nigeria, filed on 6 November 2007 in the Federal High Court, and in similar actions filed by the Nigerian states of Kano (9 May 2007), Oyo (30 May 2007), Lagos (13 March 2008), Ogun (26 February 2008), and Gombe (17 October 2008) commenced in their respective High Courts. In the five cases that remain active, the plaintiffs seek a total of approximately 10.6 trillion Nigerian naira (approximately £18.5 billion) in damages, including special, anticipatory and punitive damages, restitution and disgorgement of profits, as well as declaratory and injunctive relief.

The suits claim that the state and federal government plaintiffs incurred costs related to the treatment of smoking-related illnesses resulting from allegedly tortious conduct by the defendants in the manufacture, marketing, and sale of tobacco products in Nigeria, and assert that the plaintiffs are entitled to reimbursement for such costs. The plaintiffs assert causes of action for negligence, negligent design, fraud and deceit, fraudulent concealment, breach of express and implied warranty, public nuisance, conspiracy, strict liability, indemnity, restitution, unjust enrichment, voluntary assumption of a special undertaking, and performance of another's duty to the public.

BAT and Investments have made a number of challenges to the jurisdiction of the Nigerian courts. Such challenges are still pending (on appeal) against the federal government and the states of Lagos, Kano, Gombe and Ogun. The underlying cases are stayed or adjourned pending the final outcome of these jurisdictional challenges. In the state of Oyo, on 13 November 2015, and 24 February 2017, respectively, BAT's and Investments' jurisdictional challenges were successful in the Court of Appeal and the issuance of the writ of summons was set aside.

South Korea

In April 2014, Korea's National Health Insurance Service ("**NHIS**") filed a healthcare recoupment action against KT&G (a Korean tobacco company), PM Korea and BAT Korea (including BAT Korea Manufacturing). The NHIS is seeking damages of roughly 54 billion Korean Won (approximately £36.3 million) in respect of health care costs allegedly incurred by the NHIS treating patients with lung (small cell and squamous cell) and laryngeal (squamous cell) cancer between 2003 and 2012. Court hearings in the case, which constitute the trial, commenced in September 2014. On 20 November 2020, the court issued a judgment in favour of the defendants and dismissing all of the plaintiff's claims. The NHIS filed an appeal of the judgment on 11 December 2020.

Brazil

On 21 May 2019, the Federal Attorney's Office ("**AGU**") in Brazil filed an action in the Federal Court of Rio Grande do Sul against BAT, the BAT Group's Brazilian subsidiary Souza Cruz LTDA ("**Souza Cruz**"), Philip Morris International, Philip Morris Brazil Indústria e Comércio LTDA and Philip Morris Brasil S/A, asserting claims for medical reimbursement for funds allegedly expended by the federal government as public health care expenses to treat 26 tobacco-related diseases over the last five years and that will be expended in perpetuity during future years, including diseases allegedly caused both by cigarette smoking and exposure to ETS. The action includes a claim for moral damages allegedly suffered by Brazilian society to be paid into a public welfare fund. The action is for an unspecified amount of monetary compensation, as the AGU seeks a bifurcated action in which liability would be determined in the first phase followed by an evidentiary phase to ascertain damages.

On 19 July 2019, the trial court ordered that service of the action on BAT be effected via service on Souza Cruz. On 6 August 2019, Souza Cruz refused to receive service on behalf of BAT due to Souza Cruz's lack of power to receive the summons on behalf of BAT and such refusal was attached to the case files on 9 August 2019. On 7 August 2019, Souza Cruz was served with the complaint by the AGU and Souza Cruz's acknowledgement of service was attached to the case files on 12 August 2019.

On 19 August 2019, Souza Cruz filed an interlocutory appeal challenging the 19 July 2019 trial court order permitting the AGU to effect service on BAT by serving Souza Cruz and requesting a stay of the proceedings until the appeal is decided. Souza Cruz also appealed the fact that several documents attached to the AGU's complaint are in English, without proper translation, and it also appealed the very short term of 30 days for the defendants to prepare their defences.

On 20 August 2019, Souza Cruz informed the trial court about the appeal and the trial court entered an order, which ordered the closure of the online system preventing the parties from submitting any petition so that no prejudice would be caused to the defendants and permitted the AGU, within 15 days of its notification, to respond to the argument that the service of a foreign defendant via its Brazilian subsidiary constituted improper service. On 21 August 2019, the substitute reporting judge of the appellate court, having been notified that the trial court judge had in the meantime issued a new decision (thereby revoking the previous decision), ruled that the appeal filed had therefore been rendered moot. The AGU filed its submission in the trial court on 19 September 2019, and Souza Cruz filed a reply submission on 25 September 2019. Souza Cruz reported on 4 February 2020 that the trial court ruled that service of BAT via its Brazilian subsidiary constituted proper service, denied the request for additional time to file defences, denied the request to have the foreign language documents attached to the initial complaint fully translated into Portuguese, and ordered that defences be filed within 30 business days. On 18 February 2020, Souza Cruz filed an interlocutory appeal (including a request to stay the deadline to file defences). On 12 March 2020, the court denied the request for a stay. On 11 May 2020, BAT filed a petition to intervene in Souza Cruz's interlocutory appeal. On 17 June 2020, AGU filed its opposition to Souza Cruz's interlocutory appeal. BAT filed a reply submission on 8 July 2020. On 15 July 2020, the court denied the interlocutory appeal. Souza Cruz and BAT submitted on 6 August 2020 requests for clarification of this appellate decision, which requests remain pending. Souza Cruz and BAT filed their respective defences on 12 May 2020. On 19 May 2020, a notice was sent to the Public Prosecutor's Office ("**MPF**") regarding the AGU's request that the MPF join the action as a plaintiff. The MPF, in its response filed 10 July 2020, rejected the AGU's request, and declined to join the action as party, but will act as an "inspector of the law", which enables MPF to express its opinion on matters in the case. The judge so far has not opened up the term for the AGU to reply to the defences presented.

(b) Class Actions

Brazil

In 1995, the Associação de Defesa da Saúde do Fumante class action was filed against Souza Cruz and Philip Morris in the São Paulo Lower Civil Court alleging that the defendants are liable to a class of smokers and former smokers for failing to warn of cigarette addiction. The case was stayed in 2004 pending the defendants' appeal from a decision issued by the Lower Civil Court that held that the defendants had not met their burden of proving that cigarette smoking was not addictive or harmful to health.

On 12 November 2008, the São Paulo Court of Appeals overturned the lower court's unfavourable decision of 2004, returning the case to the lower court for production of evidence and a new judgment. Following production of evidence, on 16 May 2011, the lower court granted Souza Cruz's motion to dismiss the action in its entirety on the merits. The plaintiffs' appeal to the Sao Paolo Court of Appeals was unsuccessful. The plaintiffs then filed a Special Appeal to the Superior Court of Justice, which was rejected under procedural grounds on 20 February 2017. The plaintiffs filed an appeal of the rejection in the Superior Court of Justice on 15 March 2017. On 8 May 2020, this appeal was rejected and plaintiffs filed a further appeal that was in turn rejected on 28 August 2020. Plaintiffs filed no further appeal and the Superior Court of Justice certified the decision in favour of defendants on 22 September 2020, which closed the case.

Canada

As noted above, on 1 March 2019 the Quebec Court of Appeal handed down a judgment which largely upheld and endorsed the lower court's previous decision in two Quebec Class Actions, as further described below. Imperial's share of the judgment is approximately CAD$9.2 billion (approximately £5.3 billion). As a result of this judgment, there were attempts by the Quebec plaintiffs to obtain payment out of the CAD$758 million (approximately £436 million) on deposit with the court. JTI-MacDonald Corp (a co-defendant in the cases) filed for creditor protection under the CCAA on 8 March 2019. A court order to stay all tobacco litigation in Canada against all defendants (including the RJR Companies) until 4 April 2019 was obtained, and the need for a mediation process to resolve all the outstanding litigation across the country was recognised. On 12 March 2019 Imperial filed for protection under the CCAA. In its application Imperial asked the Ontario Superior Court to stay all pending or contemplated litigation against Imperial, certain of its subsidiaries and all other Group companies that were defendants in the Canadian tobacco litigation, including the UK Companies. On 22 March 2019, Rothmans, Benson & Hedges Inc. also filed for CCAA protection and obtained a stay of proceedings (together with the other two stays, the "**Stays**"). The Stays are currently in place until 30 September 2021. While the Stays are in place, no steps are to be taken in connection with the Canadian tobacco litigation with respect to any of the defendants.

The below represents the state of the referenced litigation as at the advent of the Stays.

There are 11 class actions being brought in Canada against Group companies.

Knight Class Action: The Supreme Court of British Columbia certified a class of all consumers who purchased Imperial cigarettes in British Columbia bearing 'light' or 'mild' descriptors since 1974. The plaintiff is seeking compensation for amounts spent on 'light and mild' products and a disgorgement of profits from Imperial on the basis that the marketing of light and mild cigarettes was deceptive because it conveyed a false and misleading message that those cigarettes are less harmful than regular cigarettes.

On appeal, the appellate court confirmed the certification of the class, but limited any financial liability, if proven, to 1997 onward. Imperial's third-party claim against the federal government was dismissed by the Supreme Court of Canada. The federal government is seeking a cost order of CAD$5 million (approximately £3 million) from Imperial relating to its now dismissed third party claim. After being dormant for several years, the plaintiff delivered a Notice of Intention to Proceed, and Imperial delivered an application to dismiss the

action for delay. The application was heard on 23 June 2017 and was dismissed on 23 August 2017. Notice to class members of certification was provided on 14 February 2018. As at the date of the Stays, the next steps were expected to include discovery-related ones.

Growers' Class Action: In December 2009, Imperial was served with a proposed class action filed by Ontario tobacco farmers and the Ontario Flue-Cured Tobacco Growers' Marketing Board. The plaintiffs allege that Imperial and the Canadian subsidiaries of Philip Morris International and JTI failed to pay the agreed domestic contract price to the growers used in products manufactured for the export market and which were ultimately smuggled back into Canada. JTI has sought indemnification pursuant to the JTI Indemnities (discussed below). The plaintiffs seek damages in the amount of CAD$50 million (approximately £29 million). Various preliminary challenges have been heard, the last being a motion for summary judgment on a limitation period. The motion was dismissed and ultimately, leave to appeal to the Ontario Court of Appeal was dismissed in November 2016. In December 2017, the plaintiffs proposed that the action proceed by way of individual actions as opposed to a class action. The defendants did not consent. As at the date of the Stays, the claim was in abeyance pending further action from the plaintiffs.

Quebec Class Actions: There are currently two class actions in Quebec. On 21 February 2005, the Quebec Superior Court granted certification in two class actions against Imperial and two other domestic manufacturers. The court certified two classes, with the class definitions being revised in the judgment rendered 27 May 2015. One class consists of residents of Quebec who (a) smoked before 20 November 1998 at least 12 pack years of cigarettes manufactured by the defendants; and (b) were diagnosed before 12 March 2012 with: lung cancer, or cancer (squamous cell carcinoma) of the throat, or emphysema. The group also includes the heirs of persons deceased after 20 November 1998 who meet the criteria described above. The second consists of residents of Quebec who, as of 30 September 1998, were addicted to nicotine contained in cigarettes and who in addition meet the following three criteria: (a) they started smoking before 30 September 1994 by smoking cigarettes manufactured by the defendants; (b) between 1 September and 30 September 1998 they smoked on average at least 15 cigarettes manufactured by the defendants on a daily basis; and (c) they still smoked an average of at least 15 cigarettes manufactured by the defendants as of 21 February 2005, or until their death if it occurred before that date. The group also includes the heirs of members who meet the criteria described above. Pursuant to the judgment, the plaintiffs were awarded damages and interest against Imperial and the Canadian subsidiaries of Philip Morris International and JTI in the amount of CAD$15.6 billion (approximately £8.9 billion), most of which was on a joint and several basis, of which Imperial's share was CAD$10.4 billion (approximately £5.9 billion). An appeal of the judgment was filed on 26 June 2015. The court also awarded provisional execution pending appeal of CAD$1,131 million (approximately £650 million), of which Imperial's share was approximately CAD$742 million (approximately £426 million). This order was subsequently overturned by the Court of Appeal. Following the cancellation of the order for provisional execution, the plaintiffs filed a motion against Imperial and one other manufacturer seeking security in the amount of CAD$5 billion (approximately £2.9 billion) to guarantee, in whole or in part, the payment of costs of the appeal and the judgment. On 27 October 2015, the Court of Appeal ordered the parties to post security in the amount of CAD$984 million (approximately £565 million), of which Imperial's share was CAD$758 million (approximately £436 million). The security was paid in seven equal quarterly instalments of just over CAD$108 million (approximately £62 million) between 31 December 2015 and 30 June 2017. The appeal was heard in November 2016. On 1 March 2019, the trial judgment was upheld by a unanimous decision of the five-member panel of the Court of Appeal, with one exception being an amendment to the original interest calculation applied to certain portions of the judgment. The interest adjustment has resulted in the reduction of the total maximum award in the two cases to CAD$13.7 billion (approximately £7.9 billion) as of 1 March 2019, with Imperial's share being reduced to approximately CAD$9.2 billion (approximately £5.2 billion). The Court of Appeal also upheld the payment of the initial deposits into the defendants' solicitors' trusts account within 60 days, totalling approximately CAD$1.13 billion (approximately £649 million), of which Imperial's share was recalculated by

the Court of Appeal as CAD$759 million (approximately £436 million). Imperial has already paid CAD$758 million (approximately £436 million) into court as security for the judgment.

Other Canadian Smoking and Health Class Actions: Seven putative class actions, described below, have been filed against various Canadian and non-Canadian tobacco-related entities, including the UK Companies, Imperial and the RJR Companies, in various Canadian Provinces. In these cases, none of which have quantified their asserted damages, the plaintiffs allege claims based on fraud, fraudulent concealment, breach of warranty of merchantability, and of fitness for a particular purpose, failure to warn, design defects, negligence, breach of a 'special duty' to children and adolescents, conspiracy, concert of action, unjust enrichment, market share liability and violations of various trade practices and competition statutes. Pursuant to the terms of the 1999 sale of RJRT's international tobacco business, and subject to a reservation of rights, JTI has assumed the defence of the RJR Companies in these seven actions (Semple, Kunka, Adams, Dorion, Bourassa, McDermid and Jacklin, discussed below).

In June 2009, four smoking and health class actions were filed in Nova Scotia (Semple), Manitoba (Kunka), Saskatchewan (Adams) and Alberta (Dorion) against various Canadian and non-Canadian tobacco-related entities, including the UK Companies, Imperial and the RJR Companies. In Saskatchewan, BAT, Carreras Rothmans Limited and Ryesekks p.l.c. have been released from Adams, and the RJR Companies have brought a motion challenging the jurisdiction of the court. No date has been set in these cases with respect to the certification motion hearing. There are service issues in relation to Imperial and the UK Companies in Alberta and in relation to the UK Companies in Manitoba.

In June 2010, two further smoking and health class actions were filed in British Columbia against various Canadian and non-Canadian tobacco-related entities, including Imperial, the UK Companies and the RJR Companies. The Bourassa claim is allegedly on behalf of all individuals who have suffered chronic respiratory disease and the McDermid claim proposes a class based on heart disease. Both claims state that they have been brought on behalf of those who have 'smoked a minimum of 25,000 cigarettes'. The UK Companies, Imperial, the RJR Companies and other defendants objected to jurisdiction. Subsequently, BAT, Carreras Rothmans Limited and Ryesekks p.l.c. were released from Bourassa and McDermid. Imperial, Industries, Investments and the RJR Companies remain as defendants in both actions. The plaintiffs did not serve their certification motion materials and no date for a certification motion was set.

In June 2012, a smoking and health class action was filed in Ontario (Jacklin) against various Canadian and non-Canadian tobacco-related entities, including the UK Companies, Imperial and the RJR Companies. The claim has been in abeyance.

Venezuela

In April 2008, the Venezuelan Federation of Associations of Users and Consumers (FEVACU) and Wolfang Cardozo Espinel and Giorgio Di Muro Di Nunno, acting as individuals, filed a class action against the Venezuelan government. The class action seeks regulatory controls on tobacco and recovery of medical expenses for future expenses of treating smoking-related illnesses in Venezuela. Both C.A Cigarrera Bigott Sucs. ("**Cigarrera Bigott**"), a Group subsidiary, and ASUELECTRIC, represented by its president Giorgio Di Muro Di Nunno (who had previously filed as an individual), have been admitted as third parties by the Constitutional Chamber of the Supreme Court of Justice. A hearing date for the action is yet to be scheduled. On 25 April 2017 and on 23 January 2018, Cigarrera Bigott requested the court to declare the lapsing of the class action due to no proceedings taking place in the case in over a year. A ruling on the matter is yet to be issued.

(c) Individual Tobacco Related Personal Injury Claims

As at 31 December 2020, the jurisdictions with the most active individual cases against Group companies were, in descending order: Brazil (31), Italy (14), Chile (8), Canada (6), Argentina (5) and Ireland (2). There were a

further two jurisdictions with one active case only. Out of the 68 active individual tobacco related personal injury claims, one case in Argentina (Baldassare) received an unfavourable verdict as at 31 December 2020. In that case, a first instance judgment, issued on 28 December 2020, awarded damages to the plaintiff in the amount of ARS 685,976 (approximately £6,000) in compensatory damages and ARS 2,500,000 (approximately £22,000) in punitive damages (plus interest). This judgment is subject to appeal.

Non-Tobacco Related Litigation

VUSE Litigation

On 15 May 2020, four public school districts in the State of Illinois (Peoria Public Schools District 150, Hall Township High School District 502, Marion Community School District 2, and La Moille Community Unit School District 303) filed a putative class action complaint in California federal court, individually and on behalf of all similarly situated school districts in Illinois, against RAI, RJR Vapor, BAT, Lorillard LLC and LOEC, Inc., as well as against JUUL Labs Inc. ("**JUUL**"), Altria Group Inc., Altria Client Services Inc., Altria Group Distribution Company, Nu Mark LLC, Nu Mark Innovations Ltd., Imperial Brands plc, Fontem Ventures BV, Fontem US Inc., and Walgreen Co. Plaintiffs have asserted several claims against RAI, RJR Vapor, Lorillard LLC, and LOEC, Inc. and BAT, including claims of public nuisance alleging that the defendants negligently or intentionally marketed vapour products to students enrolled in the plaintiffs' schools, as well as claims for negligence, misrepresentation, fraud, unjust enrichment and alleged violation of Illinois consumer fraud and trade practices statutes. The complaint was served on 13 July 2020 on RAI, RJR Vapor, Lorillard LLC, and LOEC, Inc., and on 3 August 2020, RAI, RJR Vapor, Lorillard LLC, and LOEC, Inc. moved for dismissal of the complaint for lack of personal jurisdiction, improper venue and failure to state a claim for relief. On 3 August 2020, BAT moved to dismiss the complaint for improper service and lack of personal jurisdiction. The case was assigned to a multi-district litigation proceeding that was consolidated for pre-trial purposes in October 2019 by the US JPML at the request of JUUL. On 13 August 2020, plaintiffs filed a notice of voluntary dismissal without prejudice, and the case was closed.

On 22 July 2020, Nicholas Bernston filed a personal injury action in the Northern District of Oklahoma against JUUL, Altria Client Services, LLC, RJR Vapor, RAI, and others. The complaint seeks damages for personal injuries (including pneumonia and acute respiratory failure) allegedly resulting from vaping on several theories, including strict liability, negligence, and breach of implied warranty of merchantability. On 24 July 2020, JUUL notified the JPML that this case could be a potential tag-along in the JUUL multidistrict litigation ("**MDL**"). On 5 August 2020, the JPML entered a conditional transfer order transferring the case to the Northern District of California. That order became effective on 12 August 2020, and this case now is a member case in the JUUL MDL. On 13 October 2020, RJR Vapor and RAI moved to dismiss the complaint or, in the alternative, for a stay or a suggestion of remand to the Northern District of Oklahoma. On 16 October 2020, the MDL court issued an order staying those motions to dismiss. The case will remain pending against RAI and RJR Vapor, but they will not be subject to discovery or other pretrial obligations absent further order from the court.

Croatian Distributor Dispute

BAT Hrvatska d.o.o u likvidaciji and British American Tobacco Investments (Central and Eastern Europe) Limited are named as defendants in a claim by Mr Perica received on 22 August 2017 and brought before the commercial court of Zagreb, Croatia. Mr Perica seeks damages of HRK 408,000,000 (approximately £48 million) relating to a BAT Standard Distribution Agreement dating from 2005. BAT Hrvatska d.o.o and British American Tobacco Investments (Central and Eastern Europe) Ltd filed a reply to the statement of claim on 6 October 2017. A hearing had been scheduled to take place on 10 May 2018, but it was postponed due to a change of the judge hearing the case. The Commercial Court in Zagreb declared they do not have jurisdiction and that the competent court to hear this case is the Municipal Court in Zagreb. TDR d.o.o. is also named as the defendant in a claim by Mr Perica received on 30 April 2018 and brought before the commercial court of Zagreb,

Croatia. Mr. Perica seeks payment in the amount of HRK 408,000,000 (approximately £48 million) claiming that BAT Hrvatska d.o.o. transferred a business unit to TDR d.o.o, thus giving rise to a liability of TDR d.o.o. for the debts incurred by BAT Hrvatska d.o.o, on the basis of the provisions of Croatian civil obligations law. A response to the statement of claim was filed on 30 May 2018. The Commercial Court in Zagreb declared they do not have jurisdiction and that the competent court to hear this case is the Municipal Court in Pula. Mr Perica filed an appeal against this decision which was rejected by the High Commercial Court of The Republic of Croatia confirming therewith that the competent court to hear this case is the Municipal Court in Pula. The Municipal Court in Zagreb has decided that the claims by Mr Perica initiated on 22 August 2017 and 30 April 2018 shall be heard as one case in front of the Municipal Court of Zagreb.

BAT/Reynolds American Inc. Shareholder Litigation

Following BAT's acquisition of the remaining 57.8% of RAI in July 2017, pursuant to North Carolina law, under which RAI was incorporated, a number of RAI shareholders dissented and asserted their rights to a judicial appraisal of the value of their RAI stock. On 29 November 2017, RAI filed a Complaint for Judicial Appraisal in state court in North Carolina against 20 dissenting shareholders holding an aggregate of approximately 9.65 million shares. The complaint asked the court to determine the fair value of the dissenting shareholders' shares in RAI and any accrued interest. A trial was held in June 2019, at which the dissenters sought US$92.17 per share plus interest. On 27 April 2020, the court issued its final judgment upholding RAI's proposed valuation of $59.64 per share and concluding that no further payment is due to the dissenters for their shares. Dissenting shareholders holding an aggregate of approximately 6.52 million shares filed a notice of appeal to the North Carolina Supreme Court on 21 May 2020, and briefing of the appeal concluded on 14 December 2020.

Patents Litigation

Certain Group companies are party to a number of patent litigation cases and procedural challenges concerning the validity of patents owned by or licensed to them and/or the alleged infringement of third-parties' patents.

On 22 June 2018, an affiliate of Philip Morris International ("**PMI**") commenced proceedings against British American Tobacco Japan, Ltd. ("**BAT Japan**") in the Japanese courts challenging the import, export, sale and offer of sale of the glo device and of the NeoStiks consumable in Japan at the time the claim was brought (and earlier models of the glo device), alleging that the glo devices directly infringe certain claims of two Japanese patents that have been issued to the PMI affiliate and that the NeoStiks indirectly infringe certain claims of those patents. On 17 January 2019, the PMI affiliate introduced new grounds of infringement, alleging that the glo device also infringes some other claims in the two PMI affiliate's Japanese patents. Damages for the glo device and NeoStik are claimed in the court filing, to the amount of 100 million Yen (approximately £708,000). The PMI affiliate has also filed a request for injunction with respect to the glo device. BAT Japan denies infringement and is challenging the validity of the two PMI affiliate's Japanese patents.

Fuma International LLC ("**Fuma**") filed two separate patent infringement complaints in the US District Court for the Middle District of North Carolina against RJR Vapor on 6 March 2019 and 2 July 2019, each alleging that Vuse Solo and Vuse Ciro products infringe a patent. The two complaints were consolidated into a single proceeding involving both asserted Fuma patents. Fuma seeks monetary damages in an amount ranging from US$64.0 million (approximately £47 million) to US$135.4 million (approximately £99 million) (which the Court may (but is not obligated to) increase up to 3x the actual damages awarded should RJR Vapor be found to have wilfully infringed) and an injunction. RJR Vapor filed its answer, affirmative defences and declaratory judgment counterclaim for patent unenforceability based on inequitable conduct on 26 July 2019. RJR Vapor's inequitable conduct counterclaim was dismissed by the Court on 6 March 2020. The Court issued its claim construction order on 23 March 2020, which is consistent with RJR Vapor's non-infringement positions for Vuse Ciro and Vuse Solo products. The first court ordered mediation session was held on 23 January 2020 and

a second was held on 30 October 2020. Dispositive motions were filed on 20 October 2020 (Fuma moved for summary judgment of infringement and RJR Vapor moved for summary judgment of non-infringement). Briefing on the summary judgment motions was completed on 25 November 2020.

On 9 April 2020, Nicoventures Trading Limited ("**Nicoventures**") commenced an action in the England and Wales High Court (Patents Court) against Philip Morris Products S.A. ("**PMP**") for revocation against three divisional patents in the same family, of which PMP is the proprietor (a further divisional patent in the same family was added into the revocation action on 9 July 2020). On 12 May 2020 PMP filed its defence together with a counterclaim for patent infringement against Nicoventures and Investments concerning prototype examples or production samples of certain 'glo' tobacco heating devices. PMP were seeking an injunction, an order for delivery up or a destruction upon oath of all infringing articles, and either an account of profits or damages on commercial sales (and interest thereon). On 12 June 2020, Nicoventures and Investments filed their defence to the counterclaim. The trial of this action took place between 18-25 May 2021. On 14 July 2021, the England and Wales High Court (Patents Court) handed down its judgment finding that all four divisional patents were invalid for lack of an inventive step and consequently, that PMP's counterclaim failed.

On 28 May 2020 Altria Client Services LLC and U.S. Smokeless Tobacco Company LLC commenced proceedings against RJR Vapor before the US District Court for the Middle District of North Carolina against the vapour products Vuse Vibe and Vuse Alto, and the tin used in the modern oral product Velo. Nine patents in total were asserted: two against Vibe, four against Alto and three against Velo. On 5 January 2021, Altria filed an amended complaint that adds Modoral Brands, Inc. as a defendant with respect to the Velo product claims. The plaintiffs have sought damages but have not to date sought preliminary or permanent injunctions. RJR Vapor has responded to the complaint. Pleadings are closed, and fact discovery is proceeding. The parties have agreed on a mediator, but have not set a date for mediation. A claim construction hearing was held on 28 April 2021, and the court issued its claim construction ruling on 12 May 2021. Fact discovery closed on 28 July 2021. Expert reports were filed on 4 August 2021 and expert discovery is ongoing. Summary judgment motions are due on 10 November 2021. A trial date has not been set but would not be anticipated until at least Q1 2022.

On 9 April 2020, RAI Strategic Holdings, Inc. and RJR Vapor commenced an action in the US District Court for the Eastern District of Virginia against Altria Client Services LLC, Philip Morris USA, Inc., Altria Group, Inc., Philip Morris International, Inc., and Philip Morris Products S.A. (collectively, "**Philip Morris**") for infringement of six patents based on the importation and commercialisation within the United States of IQOS. On 8 May 2020 and 12 June 2020, Philip Morris filed Inter Partes Review ("**IPR**") petitions in the US Patent Office challenging the validity of each of the six patents asserted. On 29 June 2020, Philip Morris asserted counterclaims alleging that RJR Vapor infringes five patents. On 24 November 2020, the court issued a claim construction order that determined that each disputed term would have its plain and ordinary meaning. On 4 December 2020, the magistrate judge issued an order staying RJR Vapor and Philip Morris's patent claims pending a decision by the US Patent Office regarding whether to proceed with the IPRs. At the time of the stay, fact and expert discovery was ongoing and was scheduled to conclude 26 January 2021. If the stay is lifted, fact and expert discovery will resume and it is expected that the date for close of fact and expert discovery will be rescheduled based on the date the stay is lifted (i.e., approximately 8 weeks after the date the stay is lifted). On 13 January 2021, the USPTO instituted one of the IPRs. The parties submitted a joint status report on 19 January 2021. On 20 January 2021, Philip Morris filed a motion to lift the stay solely as to the counterclaims against RJRV; RJRV is opposing Philip Morris's motion and filed its opposition on 28 January 2021.

On 27 November 2020 Philip Morris filed a complaint before the Regional Court Mannheim in Germany against British American Tobacco (Germany) GmbH ("**BAT Germany**") alleging that the sale, offer for sale and importation of Vype ePod products infringes a patent. Philip Morris is seeking an injunction, a recall of product from commercial customers and a declaratory judgment for damages. The trial of this action took place on 15 June 2021. A decision on the matter is yet to be rendered. The proceedings are likely to continue.

On 11 December 2020 Philip Morris filed a complaint before the Regional Court Dusseldorf in Germany against BAT Germany alleging that the sale, offer for sale and importation of glo TABAK HEATER and neo STICK products infringe a patent. Philip Morris is seeking an injunction, a recall of product from commercial customers and a declaratory judgment for damages.

Mozambican IP Litigation

On 19 April 2017, Sociedade Agrícola de Tabacos, Limitada ("**SAT**") (a Group company in Mozambique) filed a complaint to the National Inspectorate for Economic Activities ("**INAE**"), the government body under the Ministry of Industry and Trade, regarding alleged infringements of its registered trademark ("**GT**") by GS Tobacco SA ("**GST**"). INAE subsequently seized the allegedly infringing products ("**GS cigarettes**") and fined and ordered GST to discontinue manufacturing products that could infringe SAT's intellectual property rights. Following INAE's decision, in July 2017 and March 2018, SAT sought damages via the Judicial Court of Nampula, from GST in the amount of and equivalent to £573,000 as well as a permanent restraint order in connection with the manufacturing and selling of the allegedly infringing products. The Judicial Court of Nampula (Tribunal Judicial de Nampula) granted the order on an interim basis on 7 August 2017. After hearing the parties, on 5 September 2017, the court found that no alleged infringement by GST had occurred and removed the interim restraint order, this decision was appealed by SAT and is currently pending a decision. GST filed an application for review against INAE's initial decision directly to the Minister of Trade and Industry, which reversed the decision of INAE. On 31 December 2018, SAT was notified of GST's counterclaim against SAT at the Judicial Court of Nampula for damages allegedly sustained as a result of SAT's complaint to INAE (and INAE's decision). GST is seeking damages in the amount equivalent to £190 million. On 31 January 2019 SAT filed a formal response to the counterclaim. GST was notified on 28 February 2019 to file a response to SAT's formal response to the counterclaim and the judge scheduled the preliminary hearing for 14 March 2019. This hearing was adjourned and was held on 2 April 2019, when the court heard arguments on the validity of SAT's counterclaim. On 2 September 2019, SAT received notification of an order which provided that (i) SAT's claim had been dismissed by the court; and (ii) the GST counterclaim would proceed to trial. On 9 September 2019, SAT responded to the order by appealing the dismissal of the SAT claim. Additionally, SAT made an interlocutory application in the counterclaim proceedings to challenge certain questions posed by the judge, on the basis that the responses may be used as evidence at trial.

Malawi Group Action

In December 2020, BAT and British American Tobacco (GLP) Limited ("**GLP**") were named as defendants in a claim made in the English High Court by around 7,500 Malawian tobacco farmers and their family members. The claim also names Imperial Brands plc and five affiliates as defendants. The claimants allege they were subjected to unlawful and exploitative working conditions on tobacco farms from which it is alleged that the defendants indirectly acquire tobacco. They seek unquantified damages (including aggravated and exemplary damages) for the torts of negligence and conversion and unquantified personal and proprietary remedies for restitution of unjust enrichment. They also seek an injunction to restrain the commission of further torts of conversion or negligence by the defendants. BAT and GLP intend vigorously to defend the claim.

Qatar Customs Authority Claims

On 12 November 2020, British American Tobacco Middle East W.L.L (formerly British American Tobacco Middle East SPC) ("**BATME**"), along with its distributor in Qatar, Ali Bin Ali Establishment ("**ABA**"), filed a case before the Qatar Court of First Instance which challenges a decision of the Qatar Customs Authority dated 16 August 2020 ordering ABA to pay a total amount of QAR160,531,588 (approximately £33 million) in customs duties and penalties in relation to 27 consignments of cigarettes imported into Qatar by ABA. BAT ME's potential liability in respect of the foregoing amounts arises from certain contractual arrangements with ABA. BAT ME and ABA strongly assert that the additional customs duty and penalties imposed by the Qatar

Customs Authority are inconsistent with the customs law of the GCC. The case is in the very early stages, and the Qatar Customs Authority has not yet filed its pleading in response to the claim.

Saudi Arabia Customs Claim

On 25 January 2021, Walid Ahmed Mohammed Al Naghi for Trading Establishment ("**Al Naghi**"), a former distributor for the Group's operating companies in the Middle East, filed a claim in the Commercial Court in Jeddah, Saudi Arabia, seeking SAR 2,105,356,121 (approximately £410 million) for reimbursement of funds allegedly due under contract. Al Naghi did not formally name any Group entity as a defendant in the claim. The claim was dismissed orally by the Court on 9 February 2021.

Rentko Asbestos Action

On 15 January 2021, plaintiffs in an individual asbestos personal injury action (Rentko), originally filed 5 October 2020 in the New York City Asbestos Litigation court, filed an amended complaint, which names as defendants the Company, BATUS Holdings, Inc., British American Tobacco (Brands), Inc., and RJRT, along with various other defendants. The amended complaint was served 20 January 2021 on BATUS Holdings, Inc. and British American Tobacco (Brands), Inc., and served 22 January 2021 on RJRT. The amended complaint alleges that one of the plaintiffs was exposed to the defendants' asbestos and asbestos-contaminated talcum powder products, which allegedly caused her to develop mesothelioma, and asserts claims under state law, including for negligence, breach of warranty, product liability, negligent misrepresentation, fraudulent concealment, and civil conspiracy. A further amended complaint was filed on 27 January 2021, which names RAI as a defendant as an alleged successor in interest to BAT, and which was served on RAI on 5 February 2021. Plaintiffs seek unspecified compensatory and punitive damages jointly and severally against the defendants.

Fox River

Background to environmental liabilities arising out of contamination of the Fox River

In Wisconsin, the authorities have identified potentially responsible parties ("**PRPs**") to fund the clean-up of river sediments in the lower Fox River. The pollution was caused by discharges of Polychlorinated Biphenyls ("**PCBs**") from paper mills and other facilities operating close to the river. Among the PRPs is NCR Corporation ("**NCR**").

In NCR's Form 10-K Annual Report for the year ended 31 December 2014, which is the most recent public source available, the total clean-up costs for the Fox River are estimated at US$825 million (approximately £603 million). This estimate is subject to uncertainties and does not include natural resource damages ("**NRDs**"). Total NRDs may range from US$0 to US$246 million (approximately £0 to £180 million).

Industries' involvement with the environmental liabilities arises out of indemnity arrangements which it became party to due to a series of transactions that took place from the late-1970s onwards and subsequent litigation brought by NCR against Industries and Appvion Inc. ("**Appvion**") (a former Group subsidiary) in relation to those arrangements which was ultimately settled. US authorities have never identified Industries as a PRP.

There has been a substantial amount of litigation in the United States involving NCR and Appvion regarding the responsibility for the costs of the clean-up operations. The US Government also brought enforcement proceedings against NCR and Appvion to ensure compliance with regulatory orders made in relation to the Fox River clean-up. This litigation has been settled through agreements with other PRPs and a form of settlement known as a Consent Decree with the US Government, approved by the District Court of Wisconsin on 23 August 2017.

The principal terms of that Consent Decree, in summary, are as follows:

(i) NCR is obliged to perform and fund all of the remaining Fox River remediation work by itself.

(ii) The US Government enforcement proceedings were settled, with NCR having no liability to meet the US Government's claim for costs it had incurred in relation to the clean-up to date, a secondary responsibility to meet certain future costs, and no liability to the US Government for NRDs.

(iii) NCR ceased to pursue its contribution claims against the other PRPs and in return received contribution protection preventing other PRPs from pursuing their contribution claims against NCR and existing claims for contribution being dismissed by order of the Court. NCR does, however, have the right to reinstate its contribution claims if the other PRPs decide to continue to pursue certain contractual claims against NCR.

(iv) Appvion also agreed to cease pursuance of claims against the other PRPs, subject to retention of the right to reinstate its claims if the other PRPs decide to continue to pursue certain claims against Appvion.

A Consent Decree between the US Government, P.H. Glatfelter and Georgia Pacific settling the allocation of costs on the Fox River was approved by the District Court in the Eastern District of Wisconsin on 14 March 2019. This Consent Decree concludes all existing litigation on the Fox River, following P.H. Glatfelter's withdrawal of its appeal against the issuance of the Consent Decree as a term of the settlement.

In NCR's Form 10-K Annual Report for the year ended 31 December 2019 NCR disclosed that, in November 2019, an arbitral tribunal had awarded US$10 million (approximately £7 million) to a remediation general contractor engaged by the LLC formed by NCR and Appvion to perform the clean-up operation of the Fox River. It further indicated that it expected its indemnitors and co obligors to bear responsibility for the majority of the award, estimating its own share as approximately one fourth of the award.

Industries' involvement with environmental liabilities arising out of the contamination of the Fox River

NCR has taken the position that, under the terms of a 1998 Settlement Agreement between it, Appvion and Industries, and a 2005 arbitration award, Industries and Appvion generally had a joint and several obligation to bear 60% of the Fox River environmental remediation costs imposed on NCR and of any amounts NCR has to pay in respect of other PRPs' contribution claims. BAT has not acknowledged any such liability to NCR and has defences to such claims. Further, under the terms of the Funding Agreement (described below), any dispute between Industries and NCR as to the final amount of any NCR claim against Industries in respect of the Fox River (if any) can only be determined at the later of (i) the completion of Fox River remediation works or (ii) the final resolution and exhaustion of all possible appeals in proceedings brought against Sequana, PricewaterhouseCoopers LLP (PwC) and other former advisers.

Until May 2012, Appvion and Windward Prospects Limited ("**Windward**") (another former Group subsidiary) had paid a 60% share of the clean-up costs. Industries was never required to contribute. Around that time, Appvion refused to continue to pay clean-up costs, leading to NCR demanding that Industries pay a 60% share.

Industries commenced proceedings against Windward and Appvion in December 2011 seeking indemnification in respect of any liability it might have to NCR (the "**English Indemnity Proceedings**") pursuant to a 1990 de-merger agreement between those parties.

Funding Agreement of 30 September 2014

On 30 September 2014, Industries entered into a Funding Agreement with Windward, Appvion, NCR and BTI 2014 LLC ("**BTI**") (a wholly-owned subsidiary of Industries). Pursuant to the Funding Agreement, the English Indemnity Proceedings and a counterclaim Appvion had brought in those proceedings, as well as an NCR-Appvion arbitration concerning Appvion's indemnity to NCR, were discontinued as part of an overall agreement between the parties providing a framework through which they would together fund the ongoing costs of the Fox River clean-up. Under the agreement, NCR has agreed to accept funding by Industries at the

lower level of 50% of the ongoing clean-up related costs of the Fox River (rather than the 60% referenced above). This remains subject to an ability to litigate at a later stage the extent of Industries' liability in relation to Fox River clean-up related costs (including in respect of the 50% of costs that Industries has paid under the Funding Agreement to date). In addition, Windward has contributed US$10 million (approximately £7 million) of funding and Appvion has contributed US$25 million (approximately £18 million) for Fox River and agreed to contribute US$25 million (approximately £18 million) for the Kalamazoo River (see further below). Appvion entered Chapter 11 bankruptcy protection on 1 October 2017.

The parties also agreed to cooperate in order to maximise recoveries from certain claims made against third parties, including (i) a claim commenced by Windward in the High Court of England & Wales (the "**High Court**") against Sequana and the former Windward directors (the "**Windward Dividend Claim**"). That claim was assigned to BTI under the Funding Agreement, and relates to dividend payments made by Windward to Sequana of around €443 million (approximately £397 million) in 2008 and €135 million (approximately £121 million) in 2009 (the "**Dividend Payments**") and (ii) a claim commenced by Industries directly against Sequana to recover the value of the Dividend Payments alleging that the dividends were paid for the purpose of putting assets beyond the reach of Windward's creditors (including Industries) (the "**BAT section 423 Claim**") (together, the "**Sequana Proceedings**").

The Windward Dividend Claim and BAT section 423 Claim were heard together in the High Court, with judgment handed down on 11 July 2016. The court upheld the BAT section 423 Claim and, by way of a consequential judgment dated 10 February 2017, ordered that Sequana pay to BTI an amount up to the full value of the 2009 Dividend plus interest, which equates to around US$185 million (approximately £135 million). The Court dismissed the Windward Dividend Claim.

The parties pursued cross appeals on the judgment, during which time Sequana was granted a stay in respect of the above payments. That stay was lifted in May 2017, three months after Sequana had entered into an insolvency process in France seeking court protection (the "**Sauvegarde**"). On 15 May 2019, the Nanterre Commercial Court made an order placing Sequana into formal liquidation proceedings (*liquidation judiciaire*). To date, Industries has not received any payments from Sequana.

On 6 February 2019 the Court of Appeal gave judgment upholding the High Court's findings, with one immaterial change to the method of calculating the damages awarded. Sequana therefore remains liable to pay approximately US$185 million (approximately £135 million). Because of Sequana's ongoing insolvency process, execution of that judgment is stayed. The Court of Appeal dismissed BTI's appeal in relation to the Windward Dividend Claim. The Court of Appeal also dismissed Sequana's application for permission to appeal the High Court's costs order in favour of Industries. Sequana therefore remains liable to pay around £10 million in costs to Industries.

All parties to the appeal sought permission from the Court of Appeal for a further appeal to the U.K. Supreme Court. On 31 July 2019, BTI was granted permission to appeal to the Supreme Court. On the same day, the Supreme Court refused Sequana permission to appeal. The hearing of BTI's appeal took place before the UK Supreme Court on 4 and 5 May 2021 and the judgment is awaited.

BTI has brought claims against certain of Windward's former advisers, including Windward's auditors at the time of the dividend payments, PwC (which claims were also assigned to BTI under the Funding Agreement). The claim had been stayed pending the outcome of the Sequana Proceedings. Once that stay was lifted, PwC applied to strike-out BTI's claim. A hearing of this application took place in October 2019. On 15 November 2019, the court dismissed PwC's application. The court granted PwC permission to appeal in respect of part of its dismissal of the application and the hearing of that appeal was heard by the Court of Appeal on 27 and 28 October 2020. On 11 January 2021, the Court of Appeal handed down judgment dismissing PwC's appeal. The Court of Appeal also refused PwC's application for permission to appeal to the Supreme Court and made an

order requiring PwC to file its defence within two months of 11 January 2021. PwC has subsequently applied directly to the Supreme Court for permission to appeal the Court of Appeal's decision.

An agreed stay is also in place in respect of BTI's separate assigned claim against Freshfields Bruckhaus Deringer.

The sums Industries has agreed to pay under the Funding Agreement are subject to ongoing adjustment, as clean-up costs can only be estimated in advance of the work being carried out and as certain sums payable are the subject of ongoing US litigation. In 2019, Industries paid £32 million in respect of clean-up costs and is potentially liable for further costs associated with the clean-up. From January through December 2020, Industries paid £2 million. Industries has a provision of £70 million which represents the current best estimate of its exposure.

Kalamazoo

NCR is also being pursued by Georgia-Pacific, a designated PRP in respect of the Kalamazoo River in Michigan, in relation to remediation costs caused by PCBs released into that river.

On 26 September 2013, the Michigan Court held that NCR was liable as a PRP on the basis that it had arranged for the disposal of hazardous material for the purposes of the Comprehensive Environmental Response, Compensation and Liability Act ("**CERCLA**").

The second phase of the Kalamazoo trial to determine the apportionment of liability amongst PRPs took place between September and December 2015.

On 29 March 2018, Judge Jonker ordered that NCR pay 40% of Georgia-Pacific past costs (around US$22 million (approximately £16 million)). The question of future remediation costs was not determined.

The parties commenced appeal proceedings against the judgment in July 2018. NCR also agreed an appeal bond with Georgia-Pacific to prevent enforcement of the judgment while it remained subject to appeal.

It is anticipated that NCR will look to Industries to pay 60% of any sums it becomes liable to pay to Georgia-Pacific on the basis, it would be asserted, that the river constitutes a 'Future Site' for the purposes of the Settlement Agreement. The Funding Agreement described above does not resolve any such claims, but does provide an agreed mechanism pursuant to which any surplus from the valuable recoveries of any third-party claims that remains after all Fox River related clean-up costs have been paid and Industries and NCR have been made whole may be applied towards Kalamazoo clean-up costs, in the event that NCR were to be successful in any claim for a portion of them from Industries or Appvion (subject to Appvion's cap, described below). Industries has defences to any claims made by NCR in relation to the Kalamazoo River. No such claims have been made against Industries.

Industries also anticipates that NCR may seek to recover from Appvion (subject to a cap of US$25 million (approximately £18 million)) for 'Future Sites' under the Funding Agreement. The basis of the recovery would be the same as any demand NCR may make on Industries. Appvion entered Chapter 11 bankruptcy protection on 1 October 2017. The effect of the Chapter 11 proceedings on Appvion's liability for Future Sites payments under the Funding Agreement is currently uncertain.

On 11 December 2019, NCR announced that it had entered into a Consent Decree with the US Government and the State of Michigan, pursuant to which it assumed liability for certain remediation work at the Kalamazoo River. This Consent Decree was approved by the District Court for the Western District of Michigan on 2 December 2020. The payments to be made on the face of the Consent Decree in respect of such work total approximately US$245 million (approximately £179 million). The Consent Decree also provides for the withdrawal of NCR's appeal against Georgia-Pacific, and payment by NCR of the outstanding judgment against it of approximately US$20 million (approximately £15 million) to Georgia-Pacific.

The quantum of the clean-up costs for the Kalamazoo River is presently unclear. It may well exceed the amounts which are payable on the face of the Consent Decree.

As detailed above, Industries is taking active steps to protect its interests, including seeking to procure the repayment of the Windward dividends, pursuing the other valuable claims that are now within its control, and working with the other parties to the Funding Agreement to maximise recoveries from third parties with a view to ensuring that amounts funded towards clean-up related costs are later recouped under the agreed repayment mechanisms under the Funding Agreement.

Other environmental matters

RAI and its subsidiaries are subject to federal, state and local environmental laws and regulations concerning the discharge, storage, handling and disposal of hazardous or toxic substances. Such laws and regulations provide for significant fines, penalties and liabilities, sometimes without regard to whether the owner or operator of the property or facility knew of, or was responsible for, the release or presence of hazardous or toxic substances. In addition, third parties may make claims against owners or operators of properties for personal injuries and property damage associated with releases of hazardous or toxic substances. In the past, RJRT has been named a PRP with third parties under CERCLA with respect to several superfund sites. RAI and its subsidiaries are not aware of any current environmental matters that are expected to have a material adverse effect on the business, results of operations or financial position of RAI or its subsidiaries.

Criminal investigations

The Group has been investigating, and is aware of governmental authorities' investigations into, allegations of misconduct. The Group is cooperating with the authorities' investigations, including the DOJ and OFAC in the United States, which are conducting an investigation into suspicions of breach of sanctions. In January 2021, the Group was informed that the investigation by the SFO into suspicions of corruption in the conduct of business by Group companies and associated persons had been closed. The SFO stated that it would continue to offer assistance to the ongoing investigations of other law enforcement partners.

The potential for fines, penalties or other consequences cannot currently be assessed. As the investigations are ongoing, it is not yet possible to identify the timescale in which these matters might be resolved.

Closed litigation matters

The following matters on which BAT reported in the contingent liabilities and financial commitments note 27 to the Group's 2019 financial statements have been dismissed, concluded or resolved as noted below:

Matter	Jurisdiction	Companies named as Defendants	Description	Disposition
Vuse Litigation (Whatcom County)	USA	RAI, RJR Vapor, BAT, Lorillard LLC and LOEC Inc.	Public Nuisance	Voluntary dismissal by plaintiff
Cyprus competition investigation	Cyprus	B.A.T. (Cyprus) Ltd	Investigation	Investigation ended without liability to B.A.T. (Cyprus) Ltd

General Litigation Conclusion

While it is impossible to be certain of the outcome of any particular case or of the amount of any possible adverse verdict, the Group believes that the defences of the Group's companies to all these various claims are meritorious on both the law and the facts, and a vigorous defence is being made everywhere.

As indicated above, on 1 March 2019 the Quebec Court of Appeal released its appeal judgment. The trial judgment was largely upheld by a unanimous decision of the five-member panel including the requirement that the defendants deposit the initial deposits in their solicitors' trust accounts within 60 days. This is the only executory aspect of the judgment. In these circumstances BAT is of the view that it is more likely than not that there will be an outlay and it is reasonably estimable at CAD$758 million (approximately £436 million), the amount of the initial deposit paid into court. If further adverse judgments are entered against any of the Group's companies in any case, avenues of appeal will be pursued. Such appeals could require the appellants to post appeal bonds or substitute security (as has been necessary in Quebec) in amounts which could in some cases equal or exceed the amount of the judgment. At least in the aggregate, and despite the quality of defences available to the Group, it is not impossible that the Group's results of operations or cash flows in any particular period could be materially adversely affected by the impact of a significant increase in litigation, difficulties in obtaining the bonding required to stay execution of judgments on appeal, or any final outcome of any particular litigation.

Having regard to all these matters, with the exception of the Quebec Class Actions, Fox River and certain *Engle* progeny cases identified above, the Group does not consider it appropriate to make any provision in respect of any pending litigation because the likelihood of any resulting material loss, on an individual case basis, is not considered probable and/or the amount of any such loss cannot be reasonably estimated. Notwithstanding the negative decision in the Quebec Class Actions, the Group does not believe that the ultimate outcome of this litigation will significantly impair the Group's financial condition. If the facts and circumstances change and result in further unfavourable outcomes in the pending litigation, then there could be a material impact on the financial statements of the Group.

Other contingencies

JTI Indemnities. By a purchase agreement dated 9 March 1999, amended and restated as of 11 May 1999, referred to as the 1999 Purchase Agreement, R.J. Reynolds Tobacco Holdings, Inc. ("**RJR**") and RJRT sold their international tobacco business to JTI. Under the 1999 Purchase Agreement, RJR and RJRT retained certain liabilities relating to the international tobacco business sold to JTI, and agreed to indemnify JTI against: (i) any liabilities, costs and expenses arising out of the imposition or assessment of any tax with respect to the international tobacco business arising prior to the sale, other than as reflected on the closing balance sheet; (ii) any liabilities, costs and expenses that JTI or any of its affiliates, including the acquired entities, may incur after the sale with respect to any of RJR's or RJRT's employee benefit and welfare plans; and (iii) any liabilities, costs and expenses incurred by JTI or any of its affiliates arising out of certain activities of Northern Brands.

RJRT has received claims for indemnification from JTI, and several of these have been resolved. Although RJR and RJRT recognise that, under certain circumstances, they may have other unresolved indemnification obligations to JTI under the 1999 Purchase Agreement, RJR and RJRT disagree what circumstances described in such claims give rise to any indemnification obligations by RJR and RJRT and the nature and extent of any such obligation. RJR and RJRT have conveyed their position to JTI, and the parties have agreed to resolve their differences at a later date.

ITG Indemnity. In the Divestiture, RAI agreed to defend and indemnify, subject to certain conditions and limitations, ITG in connection with claims relating to the purchase or use of one or more of the Winston, Kool, Salem or Maverick cigarette brands on or before 12 June 2015, as well as in actions filed before 13 June 2023, relating to the purchase or use of one or more of the Winston, Kool, Salem or Maverick cigarette brands. In the

purchase agreement relating to the Divestiture, ITG agreed to defend and indemnify, subject to certain conditions and limitations, RAI and its affiliates in connection with claims relating to the purchase or use of 'blu' brand e-cigarettes. ITG also agreed to defend and indemnify, subject to certain conditions and limitations, RAI and its affiliates in actions filed after 12 June 2023, relating to the purchase or use of one or more of the Winston, Kool, Salem or Maverick cigarette brands after 12 June 2015. ITG has tendered a number of actions to RAI under the terms of this indemnity, and RAI has, subject to a reservation of rights, agreed to defend and indemnify ITG pursuant to the terms of the indemnity. RAI has tendered an action to ITG under the terms of this indemnity, and ITG has, subject to a reservation of rights, agreed to defend and indemnify RAI and its affiliates pursuant to the terms of the indemnity. These claims are substantially similar in nature and extent to claims asserted directly against RJRT in similar actions.

Loews Indemnity. In 2008, Loews Corporation ("**Loews**"), entered into an agreement with Lorillard, Lorillard Tobacco, and certain of their affiliates, which agreement is referred to as the "Separation Agreement". In the Separation Agreement, Lorillard agreed to indemnify Loews and its officers, directors, employees and agents against all costs and expenses arising out of third-party claims (including, without limitation, attorneys' fees, interest, penalties and costs of investigation or preparation of defence), judgments, fines, losses, claims, damages, liabilities, taxes, demands, assessments, and amounts paid in settlement based on, arising out of or resulting from, among other things, Loews' ownership of or the operation of Lorillard and its assets and properties, and its operation or conduct of its businesses at any time prior to or following the separation of Lorillard and Loews (including with respect to any product liability claims). Loews is a defendant in three pending product liability actions, each of which is a putative class action. Pursuant to the Separation Agreement, Lorillard is required to indemnify Loews for the amount of any losses and any legal or other fees with respect to such cases. Following the closing of the Lorillard merger, RJRT assumed Lorillard's obligations under the Separation Agreement as was required under the Separation Agreement.

SFRTI Indemnity. In connection with the 13 January 2016 sale by RAI of the international rights to the Natural American Spirit brand name and associated trademarks, along with SFR Tobacco International GmbH ("**SFRTI**") and other international companies that distributed and marketed the brand outside the United States, to JT International Holding BV ("**JTI Holding**"), each of SFNTC, R. J. Reynolds Global Products, Inc., and R. J. Reynolds Tobacco B.V. agreed to indemnify JTI Holding against, among other things, any liabilities, costs, and expenses relating to actions (i) commenced on or before (a) 13 January 2019, to the extent relating to alleged personal injuries, and (b) in all other cases, 13 January 2021; (ii) brought by (a) a governmental authority to enforce legislation implementing European Union Directive 2001/37/EC or European Directive 2014/40/EU or (b) consumers or a consumer association; and (iii) arising out of any statement or claim (a) made on or before 13 January 2016, (b) by any company sold to JTI Holding in the transaction, (c) concerning Natural American Spirit brand products consumed or intended to be consumed outside of the United States and (d) that the Natural American Spirit brand product is natural, organic, or additive free. Under the terms of this indemnity, JTI has requested indemnification from Santa Fe Natural Tobacco Company Germany GmbH ("**SFNTCG**") in connection with an audit of SFNTCG relating to transfer pricing for the tax years 2007 to 2010 and 2012 to 2015. SFNTCG contests the audit results. The amount in dispute is approximately €21 million plus interest (approximately £19 million).

Indemnification of Distributors and Retailers. RJRT, Lorillard Tobacco, SFNTC, American Snuff Co and RJR Vapor have entered into agreements to indemnify certain distributors and retailers from liability and related defence costs arising out of the sale or distribution of their products. Additionally, SFNTC has entered into an agreement to indemnify a supplier from liability and related defence costs arising out of the sale or use of SFNTC's products. The cost has been, and is expected to be, insignificant. RJRT, SFNTC, American Snuff Co and RJR Vapor believe that the indemnified claims are substantially similar in nature and extent to the claims that they are already exposed to by virtue of their having manufactured those products.

Except as otherwise noted above, RAI is not able to estimate the maximum potential of future payments, if any, related to these indemnification obligations.

Competition Investigations. There are instances where Group companies are cooperating with relevant national competition authorities in relation to ongoing competition law investigations and/or engaged in legal proceedings at the appellate level, including (amongst others) in Ukraine and Netherlands.

Tax disputes

The Group has exposures in respect of the payment or recovery of a number of taxes. The Group is and has been subject to a number of tax audits covering, amongst others, excise tax, value added taxes, sales taxes, corporate taxes, withholding taxes and payroll taxes.

The estimated costs of known tax obligations have been provided in the Group's accounts in accordance with the Group's accounting policies. In some countries, tax law requires that full or part payment of disputed tax assessments be made pending resolution of the dispute. To the extent that such payments exceed the estimated obligation, they would not be recognised as an expense. While the amounts that may be payable or receivable in relation to tax disputes could be material to the results or cash flows of the Group in the period in which they are recognised, the Board does not expect these amounts to have a material effect on the Group's financial condition.

The following matters are in or may proceed to litigation:

Corporate taxes

Brazil

The Brazilian Federal Tax Authority has filed claims against Souza Cruz seeking to reassess the profits of overseas subsidiaries to corporate income tax and social contribution tax. The reassessments are for the years 2004 until and including 2012 for a total amount of BRL1,778 million (£250 million) to cover tax, interest and penalties.

Souza Cruz appealed all reassessments. Regarding the first assessments (2004-2006) Souza Cruz's appeals were rejected by the ultimate Administrative Court after which Souza Cruz filed two lawsuits with the Judicial Court to appeal the reassessments. The judgment in respect of the reassessment of corporate income tax has been decided in favour of Souza Cruz by the first level of the Judicial Court and Souza Cruz is waiting to see whether the Brazilian Tax Authorities will appeal the judgment. The lawsuit appealing the social contribution tax is pending judgment in the first level of the Judicial Court. The appeal against the second assessments (2007 and 2008) was upheld at the second tier tribunal and was closed. In 2015, a further reassessment for the same period (2007 and 2008) was raised after the five-year statute of limitation which has been appealed against.

Souza Cruz received further reassessments in 2014 for the 2009 calendar year and in 2015 an assessment for the 2010 calendar year. Souza Cruz appealed both the reassessments in full. In December 2016, assessments were received for the calendar years 2011 and 2012 which have also been appealed.

Netherlands

The Dutch tax authority has issued a number of assessments on various issues across the years 2003-2016 in relation to various intra-group transactions. The assessments amount to an aggregate net liability across these periods of £1,220 million covering tax, interest and penalties. The Group has appealed against the assessments in full.

The Group believes that its companies have meritorious defences in law and fact in each of the above matters and intends to pursue each dispute through the judicial system as necessary. The Group does not consider it

appropriate to make provision for these amounts nor for any potential further amounts which may be assessed in relation to these matters in subsequent years.

Indirect and other taxes

Bangladesh

On 25 July 2018, the Appellate Division of the Supreme Court of Bangladesh has reversed the decision of the High Court Division against BAT Bangladesh in respect of the retrospective demands for VAT and Supplementary Duty amounting to approximately £154 million. On 3 February 2020, the certified Court Order was received. The Government filed a Review Petition on 25 March 2020 in the Appellate Division of the Supreme Court of Bangladesh against the judgment. The matter is yet to be taken up for hearing.

Egypt

British American Tobacco Egypt LLC is subject to two ongoing civil cases concerning the imposition of sales tax on low-price category brands brought by the Egyptian tax authority for £122 million. Management believes that the tax claims are unfounded and has appealed the tax claims. These cases are under review by the Council of State. During hearings in August 2020, the courts decided, in both cases, to transfer the files to court appointed experts but these sessions have not yet been scheduled. Progress on the case, and further hearings, have been delayed due to COVID-19.

South Korea

In 2016, the Board of Audit and Inspection of Korea ("**BAI**") concluded its tax assessment in relation to the 2014 year-end tobacco inventory, and imposed additional national excise, local excise, VAT taxes and penalties. This resulted in the recognition of a KRW 80.7 billion (approximately £54 million) charge by Group subsidiaries, BAT Korea Ltd., Rothmans Far East B.V. Korea Branch Office and BAT Korea Manufacturing Ltd. Management deems the tax and penalties to be unfounded and has appealed to the tax tribunal against the assessment. On grounds of materiality and the high likelihood of the tax and penalties being reversed in future, the Group classified the tax and penalties charge as an adjusting item in 2016.

On 23 August 2019, the trial court ruled in favour of Rothmans Far East B.V. Korea Branch Office on KRW 6.7 billion (approximately £5 million), the VAT portion of the assessment; appeals on the other elements of the assessment are still pending at trial court. The Korean government appealed the ruling on 16 September 2019. Management expects the final ruling by the Supreme Court by 2022. Due to the uncertain outcome of the case no asset has been recognised in relation to this ruling.

Turkey

British American Tobacco Tutun Mamulleri Sanayi ve Ticaret Anonim Sirketi ("**BAT Tutun**") has been subject to tax audits on inventory movements for the years 2015, 2016 and 2019. In November 2020, BAT Tutun received a tax assessment amounting to £100 million comprising principal, penalty and interest for the years 2015 and 2016. The Group is not, at the date of this announcement, aware of any assessment in relation to 2019. Management is engaging with the tax authorities on the matter but believes that the tax claims are unfounded.

Brazil

On 15 March 2017, the Brazilian Supreme Court ruled that for all taxpayers VAT (ICMS) should not be included in the calculation of social contribution taxes (PIS/Cofins) which are levied based on revenue.

However, the retrospective application of the basis of calculation is subject to an extraordinary appeal and the final decision is expected by 2022.

The Group's Brazilian subsidiary, Souza Cruz, had filed an individual lawsuit to establish that it had overpaid taxes to the government. Based on favourable court decisions in 2020 and 2019 the Group has recognised £58 million (2019: £86 million) in other income representing management's best estimate of the amounts likely to be recovered at this time with the potential for further amounts in future periods.

If the ruling were to be enacted retrospectively for a period of five years, the potential asset is estimated to be around £507 million.

MANAGEMENT

Administrative, management and supervisory bodies

Directors

The Directors of BAT and their functions within the Group and their principal activities outside the Group are as follows:

Executive Directors	Principal Activities outside the Group
Jack Bowles (Chief Executive)	N/A
Tadeu Marroco (Finance Director)	N/A

Chairman	Principal Activities outside the Group
Luc Jobin	Hydro-Quebec (Non-Executive Director) Gildan Activewear Inc. (Non-Executive Director)

Non-Executive Directors	Principal Activities outside the Group
Sue Farr	Helical plc (Non-Executive Director) Accsys Technologies plc (Non-Executive Director) Unlimited Group (Non-Executive Director)
Karen Guerra	Amcor p.l.c. (Non-Executive Director)
Dr Marion Helmes	ProSiebenSat.1 Media SE (Vice Chairwoman of the Supervisory Board) Siemens Healthineers AG (Supervisory Board Member) Heineken N.V. (Supervisory Board Member)
Holly Keller Koeppel	Arch Coal, Inc. (Director) AES Corporation (Director) Flutter Entertainment plc (Non-Executive Director)
Savio Kwan	Jasper Morris in Burgundy – CN (Non-Executive Director) A&K Consulting Co Ltd (Chief Executive Officer) Henley Business School (Visiting Professor) Alibaba Hong Kong Entrepreneur Fund (Non-Executive Director) London Business School (Member of Governing Body) Homaer Financial (Non-Executive Director and Member of Advisory Board) Crossborder Innovative Ventures International Limited (Non-Executive Director)

Non-Executive Directors	Principal Activities outside the Group
	Southern England Wines Ltd (Non-Executive Director)
Dimitri Panayotopoulos (Senior Independent Director)	IRI (Non-Executive Director) The Boston Consulting Group (Senior Advisor) JBS USA (Member of Advisory Board) North Atlantic Acquisitions Corporation (Independent Director)
Darrell Thomas	Harley-Davidson, Inc. (Vice President and Treasurer) Sojourner Family Peace Center Inc. (Board Member)

Management Board

The Executive Directors of BAT together with the following executives:

Jerome Abelman
(Director, Legal & External Affairs and General Counsel)

Marina Bellini
(Director, Digital and Information)

Luciano Comin
(Regional Director, Americas and Sub-Saharan Africa)

Mihovil (Michael) Dijanosic
(Regional Director, Asia-Pacific and Middle East)

Zafar Khan
(Director, Operations)

Hae In Kim
(Director, Talent, Culture and Inclusion)

Paul Lageweg
(Director, New Categories)

Guy Meldrum
(President and CEO, Reynolds American Inc.)

Dr David O'Reilly
(Director, Scientific Research)

Johan Vandermuelen
(Regional Director, Europe and North Africa)

Kingsley Wheaton
(Chief Marketing Officer)

The business address of the Directors and Management Board of BAT is Globe House, 4 Temple Place, London WC2R 2PG, save for the business address of Guy Meldrum which is 401 N Main Street, PO Box 2990, Winston Salem, North Carolina 27101-2990, U.S.A and Michael Dijanosic which is Level 30, Three Pacific Place, 1 Queen's Road East, Hong Kong.

Administrative, Management and Supervisory bodies conflicts of interest

Other than as described above, there are no potential conflicts of interest between any duties to BAT of the Directors and the members of the Management Board listed above and/or their private interests and other duties.

USE OF PROCEEDS

The net proceeds of the issue of the Securities is expected to be approximately €1,973,660,000. Such proceeds will be used for the general corporate purposes of the Issuer and its group, including repayment of debt.

TAXATION

The comments below are of a general nature and are not intended to be exhaustive. They assume that there will be no substitution of the Issuer and do not address the consequences of any such substitution (notwithstanding that such substitution may be permitted by the relevant Conditions). Any Holders who are in doubt as to their own tax position should consult their professional advisers. In particular, Holders should be aware that the tax legislation of any jurisdiction where a Holder is resident or otherwise subject to taxation (as well as the United Kingdom) may have an impact on the tax consequences of an investment in the Securities including in respect of any income received from the Securities.

United Kingdom Taxation

*The following applies only to persons who are the absolute beneficial owners of Securities and is a non-exhaustive summary of the Issuer's understanding of current United Kingdom tax law as applied in England & Wales and published HM Revenue and Customs ("**HMRC**") practice (which may not be binding on HMRC), in each case as at the latest practicable date before the publication of this Prospectus, relating to the United Kingdom withholding tax treatment of payments in respect of the Securities. Some aspects do not apply to certain classes of person (such as dealers and persons connected with the Issuer) to whom special rules may apply. The United Kingdom tax treatment of prospective Holders depends on their individual circumstances and may be subject to change in the future. Prospective Holders who may be subject to tax in a jurisdiction other than the United Kingdom or who may be unsure as to their tax position should seek their own professional advice.*

1. A payment of principal other than premium or discount in respect of any Securities will be payable without withholding or deduction for or on account of United Kingdom tax. No withholding or deduction for or on account of United Kingdom tax will arise in respect of a premium or discount unless it is regarded as interest, in which case paragraphs 2 to 4 below (as appropriate) will apply.

2. So long as the Securities carry a right to interest and are and continue to be listed on a "recognised stock exchange" within the meaning of section 1005 of the Income Tax Act 2007 (the London Stock Exchange being such a recognised stock exchange for these purposes), payments of interest may be made without withholding or deduction for or on account of United Kingdom income tax. Securities will be treated as listed on the London Stock Exchange if they are included in the Official List (within the meaning of and in accordance with the provisions of Part 6 of the FSMA) and admitted to trading on the London Stock Exchange.

3. In all other cases, interest on the Securities that has a United Kingdom source will generally be paid under deduction of United Kingdom income tax at the basic rate (currently 20 per cent.) subject to the availability of other reliefs under domestic law, including an exemption for certain payments of interest to which a company within the charge to United Kingdom corporation tax is beneficially entitled, or to any notice to the contrary from HMRC in respect of such relief as may be available pursuant to the provisions of any applicable double taxation treaty.

4. Any interest on any Securities is expected to have a United Kingdom source and accordingly may be chargeable to United Kingdom tax by direct assessment irrespective of the residence of a Holder. Where the interest is paid without withholding or deduction, the interest will not be assessed to United Kingdom tax in the hands of Holders of the Securities who are not resident for tax purposes in the United Kingdom (other than certain trustees), except where such persons carry on a trade, profession or vocation through a United Kingdom branch or agency or, in the case of a corporate Holder, carries on a trade through a permanent establishment in the United Kingdom in connection with which the interest is received or to which the Securities are attributable, in which case (subject to exemptions for interest received by certain

categories of agent) tax may be levied on the United Kingdom branch or agency or permanent establishment. Holders should note that the provisions relating to "Additional Amounts" referred to in the relevant Condition 12 would not apply if HMRC sought to assess directly the person entitled to the relevant interest to United Kingdom tax. The provisions of an applicable double taxation treaty may also be relevant for such Holders of the Securities.

5. Notwithstanding the fact that interest is received subject to deduction of income tax at source, Holders of Securities may, however, be liable to pay further United Kingdom tax on the interest received or be entitled to a refund of all or part of the tax deducted at source depending on their individual circumstances.

The Proposed Financial Transactions tax ("FTT")

On 14 February 2013, the European Commission published a proposal (the "**Commission's Proposal**") for a Directive for a common FTT in Belgium, Germany, Greece, Spain, France, Italy, Austria, Portugal, Slovenia, Slovakia (together, the "**participating Member States**") and Estonia. However, Estonia has since stated that it will not participate.

The Commission's Proposal has very broad scope and could, if introduced, apply to certain dealings in Securities (including secondary market transactions) in certain circumstances. Primary market transactions referred to in Article 5(c) of Regulation (EC) No 1287/2006 are expected to be exempt.

Under the Commission's Proposal, the FTT could apply in certain circumstances to persons both within and outside of the participating Member States. Generally, it would apply to certain dealings in Securities where at least one party is a financial institution, and at least one party is established in a participating Member State. A financial institution may be, or be deemed to be, "established" in a participating Member State in a broad range of circumstances, including (a) by transacting with a person established in a participating Member State or (b) where the financial instrument which is subject to the dealings is issued in a participating Member State.

However, the FTT proposal remains subject to negotiation between participating Member States. It may therefore be altered prior to any implementation, the timing of which remains unclear. Additional EU Member States may decide to participate. Prospective Holders of the Securities are advised to seek their own professional advice in relation to the FTT.

Foreign Account Tax Compliance Act

Pursuant to certain provisions of the U.S. Internal Revenue Code of 1986, as amended, commonly known as FATCA, a "**foreign financial institution**" may be required to withhold on certain payments it makes ("**foreign passthru payments**") to persons that fail to meet certain certification, reporting or related requirements. A number of jurisdictions (including the United Kingdom) have entered into, or have agreed in substance to, intergovernmental agreements with the United States to implement FATCA ("**IGAs**"), which modify the way in which FATCA applies in their jurisdictions. Under the provisions of IGAs as currently in effect, a foreign financial institution in an IGA jurisdiction would generally not be required to withhold under FATCA or an IGA from payments that it makes. Certain aspects of the application of the FATCA provisions and IGAs to instruments such as the Securities, including whether withholding would ever be required pursuant to FATCA or an IGA with respect to payments on instruments such as the Securities, are uncertain and may be subject to change. Even if withholding would be required pursuant to FATCA or an IGA with respect to payments on instruments such as the Securities, proposed regulations have been issued that provide that such withholding would not apply prior to the date that is two years after the date on which final regulations defining "foreign passthru payments" are published in the U.S. Federal Register. In the preamble to the proposed regulations, the U.S. Treasury Department indicated that taxpayers may rely on these proposed regulations until the issuance of final regulations. In addition, any Securities issued on or prior to the date that is six months after the date on

which final regulations defining "foreign passthru payments" are published in the U.S. Federal Register generally would be "grandfathered" and not subject to FATCA withholding unless materially modified after such date (including by reason of a substitution of the Issuer). However, if additional notes (as described under "*Terms and Conditions of the NC5.25 Securities — Further Issues*" and "*Terms and Conditions of the NC8 Securities — Further Issues*") that are not distinguishable from previously issued Securities are issued after the expiration of the grandfathering period and are subject to withholding under FATCA, then withholding agents may treat all Securities, including the Securities offered prior to the expiration of the grandfathering period, as subject to withholding under FATCA. Holders should consult their own tax advisers regarding how these rules may apply to their investment in the Securities. In the event any withholding would be required pursuant to FATCA or an IGA with respect to payments on the Securities, no person will be required to pay additional amounts as a result of the withholding.

Stamp Duty and Stamp Duty Reserve Tax

No stamp duty or stamp duty reserve tax should be payable on issue of the Securities or on a transfer of the Securities.

SUBSCRIPTION AND SALE

Deutsche Bank AG, London Branch, Merrill Lynch International, Banco Santander, S.A., Citigroup Global Markets Limited, Barclays Bank PLC, Commerzbank Aktiengesellschaft, HSBC Bank plc, Standard Chartered Bank, UniCredit Bank AG, Lloyds Bank Corporate Markets plc, Mizuho International plc and SMBC Nikko Capital Markets Limited (together, the "**Managers**") have, pursuant to the Subscription Agreement dated 24 September 2021, jointly and severally agreed with the Issuer, subject to the satisfaction of certain conditions, to subscribe the NC5.25 Securities at an issue price of 99.412 per cent. of their principal amount and the NC8 Securities at an issue price of 99.154 per cent. of their principal amount. The Issuer has agreed to pay to the Managers a combined selling, management and underwriting commission. In addition, the Issuer has agreed to reimburse the Managers for certain of their expenses in connection with the issue of the Securities. The Subscription Agreement entitles the Managers to terminate it in certain circumstances prior to payment in respect of the Securities being made to the Issuer.

United States

The Securities have not been and will not be registered under the U.S. Securities Act and may not be offered or sold within the United States or to, or for the account or benefit of, U.S. persons except in certain transactions exempt from the registration requirements of the U.S. Securities Act. Terms used in this paragraph have the meanings given to them by Regulation S.

The Securities are subject to U.S. tax law requirements and may not be offered, sold or delivered within the United States or its possessions or to a United States person, except in certain transactions permitted by U.S. tax regulations. Terms used in this paragraph have the meanings given to them by the U.S. Internal Revenue Code of 1986 and regulations thereunder.

Each Manager has represented, warranted and agreed that, except as permitted by the Subscription Agreement, it has not offered, sold or delivered and will not offer, sell or deliver the Securities, (i) as part of their distribution at any time or (ii) otherwise until 40 days after the later of the commencement of the offering and the Closing Date (as defined in the Subscription Agreement) (the "**distribution compliance period**"), within the United States or to, or for the account or benefit of, U.S. persons, and it will have sent to each dealer to which it sells Securities during the distribution compliance period a confirmation or other notice setting forth the restrictions on offers and sales of the Securities within the United States or to, or for the account or benefit of, U.S. persons. Terms used in this paragraph have the meanings given to them by Regulation S.

In addition, until 40 days after the commencement of the offering of the Securities, an offer or sale of Securities within the United States by a dealer that is not participating in the offering may violate the registration requirements of the U.S. Securities Act.

Prohibition of Sales to EEA Retail Investors

Each Manager has represented, warranted and agreed that it has not offered, sold or otherwise made available and will not offer, sell or otherwise make available any Securities to any retail investor in the EEA. For the purposes of this provision, the expression "**retail investor**" means a person who is one (or more) of the following: (i) a retail client as defined in point (11) of Article 4(1) of MiFID II; or (ii) a customer within the meaning of the Insurance Distribution Directive, where that customer would not qualify as a professional client as defined in point (10) of Article 4(1) of MiFID II.

United Kingdom

Prohibition of Sales to UK Retail Investors

Each Manager has represented, warranted and agreed that it has not offered, sold or otherwise made available and will not offer, sell or otherwise make available any Securities to any retail investor in the UK. For the purposes of this provision, the expression "**retail investor**" means a person who is one (or more) of the following: (i) a retail client, as defined in point (8) of Article 2 of Regulation (EU) No 2017/565 as it forms part of domestic law by virtue of the EUWA; or (ii) a customer within the meaning of the provisions of the FSMA and any rules or regulations made under the FSMA to implement the Insurance Distribution Directive, where that customer would not qualify as a professional client as defined in point (8) of Article 2(1) of UK MiFIR.

Other Regulatory Restrictions

Each Manager has represented and agreed that:

(a) it has only communicated or caused to be communicated and will only communicate or cause to be communicated an invitation or inducement to engage in investment activity (within the meaning of Section 21 of the Financial Serves and Markets Act 2000 (the "**FSMA**")) received by it in connection with the issue or sale of the Securities in circumstances in which Section 21(1) of the FSMA does not apply to the Issuer; and

(b) it has complied and will comply with all applicable provisions of the FSMA with respect to anything done by it in relation to the Securities in, from or otherwise involving the UK.

Hong Kong

Each Manager has represented and agreed that:

(a) it has not offered or sold and will not offer or sell in Hong Kong, by means of any document, any Securities other than (a) to "professional investors" as defined in the Securities and Futures Ordinance (Cap. 571) of Hong Kong (the "**SFO**") and any rules made under the SFO; or (b) in other circumstances which do not result in the document being a "prospectus" as defined in the Companies (Winding Up and Miscellaneous Provisions) Ordinance (Cap. 32) of Hong Kong (the "**C(WUMP)O**") or which do not constitute an offer to the public within the meaning of the C(WUMP)O; and

(b) it has not issued or had in its possession for the purposes of issue, and will not issue or have in its possession for the purposes of issue, whether in Hong Kong or elsewhere, any advertisement, invitation or document relating to the Securities, which is directed at, or the contents of which are likely to be accessed or read by, the public of Hong Kong (except if permitted to do so under the securities laws of Hong Kong) other than with respect to Securities which are or are intended to be disposed of only to persons outside Hong Kong or only to "professional investors" as defined in the SFO and any rules made under the SFO.

Singapore

Each Manager has acknowledged that this Prospectus has not been registered as a prospectus with the Monetary Authority of Singapore. Accordingly, each Manager has represented, warranted and agreed that it has not offered or sold any Securities or caused such Securities to be made the subject of an invitation for subscription or purchase and will not offer or sell such Securities or cause such Securities to be made the subject of an invitation for subscription or purchase, and has not circulated or distributed, nor will it circulate or distribute, this Prospectus or any other document or material in connection with the offer or sale, or invitation for subscription or purchase, of such Securities, whether directly or indirectly, to any person in Singapore other

than (i) to an institutional investor (as defined in Section 4A of the Securities and Futures Act (Chapter 289) of Singapore, as modified or amended from time to time (the "**SFA**")) pursuant to Section 274 of the SFA, (ii) to a relevant person (as defined in Section 275(2) of the SFA) pursuant to Section 275(1) of the SFA, or any person pursuant to Section 275(1A) of the SFA, and in accordance with the conditions specified in Section 275 of the SFA, or (iii) otherwise pursuant to, and in accordance with the conditions of, any other applicable provision of the SFA.

Where the Securities are subscribed or purchased under Section 275 of the SFA by a relevant person which is:

(a) a corporation (which is not an accredited investor (as defined in Section 4A of the SFA)) the sole business of which is to hold investments and the entire share capital of which is owned by one or more individuals, each of whom is an accredited investor; or

(b) a trust (where the trustee is not an accredited investor) whose sole purpose is to hold investments and each beneficiary of the trust is an individual who is an accredited investor,

securities or securities-based derivatives contracts (each term as defined in Section 2(1) of the SFA) of that corporation or the beneficiaries' rights and interest (howsoever described) in that trust shall not be transferred within six months after that corporation or that trust has acquired the Securities pursuant to an offer made under Section 275 of the SFA except:

(i) to an institutional investor or to a relevant person, or to any person arising from an offer referred to in Section 275(1A) or Section 276(4)(i)(B) of the SFA;

(ii) where no consideration is or will be given for the transfer;

(iii) where the transfer is by operation of law;

(iv) as specified in Section 276(7) of the SFA; or

(v) as specified in Regulation 37A of the Securities and Futures (Offers of Investments) (Securities and Securities-based Derivatives Contracts) Regulations 2018.

Japan

The Securities have not been and will not be registered under the Financial Instruments and Exchange Act of Japan (Act No. 25 of 1948, as amended, the "**Financial Instruments and Exchange Act**"). Accordingly, each Manager has represented, warranted and agreed that it has not, directly or indirectly, offered or sold and will not, directly or indirectly, offer or sell any Securities in Japan or to, or for the benefit of, any resident of Japan (which term as used herein means any person resident in Japan, including any corporation or other entity organised under the laws of Japan) or to others for re-offering or resale, directly or indirectly, in Japan or to, or for the benefit of, any resident of Japan, except pursuant to an exemption from the registration requirements of, and otherwise in compliance with, the Financial Instruments and Exchange Act and other relevant laws and regulations of Japan.

Belgium

Each Manager has represented, warranted and agreed that an offering of Securities may not be advertised to any individual in Belgium qualifying as a consumer within the meaning of Article I.1 of the Belgian Code of Economic Law, as amended from time to time (a "**Belgian Consumer**") and that it has not offered, sold or resold, transferred or delivered, and will not offer, sell, resell, transfer or deliver, the Securities, and that it has not distributed, and will not distribute, any prospectus, memorandum, information circular, brochure or any similar documents in relation to the Securities, directly or indirectly, to any Belgian Consumer.

General

No action has been or will be taken in any country or jurisdiction by the Issuer or the Managers that would permit a public offering of the Securities, or possession or distribution of any offering or publicity material in relation thereto, in any country or jurisdiction where action for that purpose is required. Persons into whose hands this Prospectus comes are required by the Issuer and the Managers to comply with all applicable laws and regulations in each country or jurisdiction in or from which they purchase, offer, sell or deliver the Securities or have in their possession or distribute such offering material, in all cases at their own expense.

Each Manager has agreed that it will not, directly or indirectly, offer or sell any Securities or have in its possession, distribute or publish any offering circular, prospectus, form of application, advertisement or other document or information in any country or jurisdiction except under circumstances that will, to the best of its knowledge and belief, result in compliance with any applicable laws and regulations and all offers and sales of Securities by it will be made on the same terms.

GENERAL INFORMATION

1. The listing of the Securities of each Tranche on the Official List will be expressed as a percentage of their principal amount (exclusive of accrued interest). It is expected that listing of the Securities of each Tranche on the Official List and admission of the Securities of each Tranche to trading on the Market will be granted on or about 29 September 2021, subject in each case only to the issue of the relevant Temporary Global Security. Prior to official listing and admission to trading, dealings will be permitted by the Market in accordance with its rules. Transactions will normally be effected for delivery on the third working day in London after the day of the transaction.

2. The issue of the Securities was authorised by resolutions of the Meeting of the Board of Directors on 25 February 2020 and 27 July 2021 and by a resolution of the Transactions Committee of the Board of Directors of the Issuer on 5 August 2021.

3. Save as disclosed in the section "*Description of the Issuer – Contingent liabilities and financial commitments*" of this Prospectus (pages 95 to 134 inclusive), there are no governmental, legal or arbitration proceedings (including any such proceedings which are pending or threatened of which any of the Issuer and its subsidiaries taken as a whole is aware) during the period covering at least the 12 months prior to the date of this Prospectus which may have, or have had in the recent past, significant effects on the financial position or profitability of the Issuer and its subsidiaries taken as a whole. Since many of the pending cases seek unspecified damages it is not possible to quantify the total amount being claimed.

4. There has been no significant change in the financial performance or financial position of the Issuer or its subsidiaries since 30 June 2021 to the date of this Prospectus and no material adverse change in the prospects of the Issuer or its subsidiaries since 31 December 2020.

5. The auditors of the Issuer are KPMG LLP (members of the Institute of Chartered Accountants in England and Wales, whose registered office is at 15 Canada Square, London, E14 5GL) who have audited the accounts of the Issuer in accordance with applicable law and International Standards on Auditing (UK and Ireland) for each of the two financial years ended 31 December 2019 and 31 December 2020.

6. The auditors of BAT issued reports under section 495 of the Companies Act 2006 (the "**Companies Act**") in respect of the statutory accounts, and each report in respect of the 12 months ended 31 December 2019 and 31 December 2020 was an unqualified report and did not contain a statement under section 498(2) and (4) of the Companies Act.

7. Each Security, Coupon and Talon will bear the following legend: "Any United States person who holds this obligation will be subject to the limitations under the United States income tax laws, including the limitations provided in Sections 165(j) and 1287(a) of the Internal Revenue Code".

8. The Securities have been accepted for clearance through Euroclear and Clearstream, Luxembourg (which are the entities in charge of keeping the records).

   a. In respect of the NC5.25 Securities, the ISIN is XS2391779134 and the Common Code is 239177913.

   b. In respect of the NC8 Securities, the ISIN is XS2391790610 and the Common Code is 239179061.

   The address of Euroclear is 1 Boulevard du Roi Albert II, B-1210 Brussels, Belgium and the address of Clearstream, Luxembourg is 42 Avenue JF Kennedy L-1855 Luxembourg.

9. For the term of this Prospectus, starting on the date on which this Prospectus is made available to the public, copies of the following documents will be available on the website of the Issuer at *https://www.bat.com/*:

   (a) a copy of this Prospectus together with any supplement to this Prospectus or further prospectus;

   (b) the Memorandum and Articles of Association of the Issuer;

   (c) the Trust Deed and the Paying Agency Agreement relating to the NC5.25 Securities; and

   (d) the Trust Deed and the Paying Agency Agreement relating to the NC8 Securities.

10. In addition, this Prospectus will be available on the website of the Regulatory News Service operated by the London Stock Exchange at *http://www.londonstockexchange.com/exchange/news/market-news/market-news-home.html*.

11. The total expenses related to the admission of the Securities of each Tranche to the Official List and to trading on the Market are estimated to amount to £13,030.

12. Certain of the Managers and their affiliates have engaged in, and may in the future engage in, investment banking and other commercial dealings in the ordinary course of business with the Issuer or its affiliates. They have received, or may in the future receive, customary fees and commissions for these transactions.

    In addition, in the ordinary course of their business activities, the Managers and their affiliates may make or hold a broad array of investments and actively trade debt and equity securities (or related derivative securities) and financial instruments (including bank loans) for their own account and for the accounts of their customers. Such investments and securities activities may involve securities and/or instruments of the Issuer or its affiliates. Certain of the Managers or their affiliates that have a lending relationship with the Issuer routinely hedge their credit exposure to the Issuer consistent with their customary risk management policies. Typically, such Managers and their affiliates would hedge such exposure by entering into transactions which consist of either the purchase of credit default swaps or the creation of short positions in the Issuer's securities, including potentially the Securities offered hereby. Any such short positions could adversely affect future trading prices of the Securities offered hereby. The Managers and their affiliates may also make investment recommendations and/or publish or express independent research views in respect of such securities or financial instruments and may hold, or recommend to clients that they acquire, long and/or short positions in such securities and instruments.

13. Save for the fees payable to the Managers, the Trustee and the Paying Agents, so far as the Issuer is aware, no person, natural or legal, involved in the issue of the Securities has an interest that is material to the issue of the Securities.

14. The Legal Entity Identifier of the Issuer is 213800FKA5MF17RJKT63.

REGISTERED OFFICE OF

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To the Managers and the Trustee as to English law

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