

Governance

Chair's Introduction on Governance



The Board has been forward-focused in the steps we took in 2022 to maintain the Group's financial flexibility and optimise our capital allocation.

Luc Jobin
Chair

Dear Shareholder,

The stability and responsiveness of our corporate governance framework prove their worth in less certain times.

Our business had to respond to external volatility this year, from inflationary pressures to regional conflict. Whilst navigating these challenges, we have also accelerated our transformation towards A Better Tomorrow™.

From my perspective, BAT's established governance and control environment, overseen by the Board, has given us the stability to mitigate the impact of this volatility on our business. It has also enabled us to remain focused on promoting strategic delivery, including our ambitious ESG objectives.

Strategic focus

This year the Board continued its support of management's drive to deliver QUEST, which we discuss in detail on pages 28 to 29. As this programme accelerates our transformation towards A Better Tomorrow™, the Board has been forward-focused in the steps we took in 2022 to maintain the Group's financial flexibility and optimise our capital allocation.

The Board oversees an active capital allocation framework for reinvesting in our business and growing New Categories, maintaining a sound balance sheet within our target leverage, continuing to grow the dividend, exploring bolt-on M&A opportunities and considering share buybacks. Within this framework, we continue to take account of macro and fiscal influences, and potential regulatory and litigation outcomes.

Our approach to ESG reporting has been informed this year by an ESG Double Materiality Assessment which helped us to sharpen our ESG metrics in view of evolving shareholder and broader stakeholder expectations. This is discussed further on pages 46 and 139.

This is also the first year that our Annual Report and Form 20-F incorporates all of the principal components of our ESG reporting, reflecting the integral nature of ESG objectives within our strategy.

The Board continues to monitor the Group's performance against our climate and other ESG metrics regularly through the year. You can read more about our ESG performance on page 6, and how ESG now features in our Group principal risks on page 121.

Culture and ethos

As a Board, we understand the important role we play in shaping and overseeing Group culture. Our ethos is now well-embedded, and we are seeing the ways in which it is empowering our organisation as we accelerate our transformation.

I was pleased to join several of my Board colleagues on visits to trade marketing, R&D and operational sites in the US this year, including the Reynolds Operations Center in North Carolina. You can read more about the resumption of the Board's programme of market and site visits on page 132.

Acting with integrity is core to our ethos, and the Board ensures that we maintain focus on integrity across our business. Following the launch of our revised Standards of Business Conduct (SoBC) and Supplier Code of Conduct in January 2022, our Chief Executive Jack Bowles gave a personal introduction to our Group-wide awareness campaign called 'Delivering A Better Tomorrow™ responsibly and with integrity'.

Our standards mandate responsible business practices without compromise and compliance with legal obligations. Our SoBC and Delivery with Integrity programme are discussed on page 66.

Stakeholder engagement

We conducted an extensive shareholder and investor engagement programme in 2022, with a good balance of face to face and virtual dialogue.

I met with a number of shareholders in the year. Dimitri Panayotopoulos, as our Remuneration Committee Chair, also engaged on executive remuneration which he discusses on page 159. Your Directors look forward to further dialogue with you ahead of the 2023 Annual General Meeting (AGM).

The Board keeps our approach to engagement with our wider stakeholders across the Group under review to ensure dialogue remains effective and that we understand stakeholders' perspectives. You can read about how we engage with our stakeholders and take their views into account on pages 133 and 136 to 140.

Our people

The safety and wellbeing of our people has consistently been our top priority. The Board has maintained close oversight of the support made available to colleagues in Ukraine and across the wider region, and to colleagues across the world who have continued to face challenges presented by COVID-19.

I am proud of the commitment demonstrated by our people across the organisation and their willingness to implement transformation at pace despite the challenges.

The Board maintains effective engagement with our people worldwide through a range of channels, discussed on pages 88, 140 and 169.

Board efficacy

We made several changes to the non-executive membership of the Board in 2022, bringing new perspectives and experience to support successful delivery of our strategy.

Following our commitment to improve the gender balance of the Board, I am pleased to report that women now represent 36% of the Board. In addition, three of our Directors are from an ethnic minority background. At the close of our AGM in 2023, it is anticipated that women will represent 40% of the Board, with two Directors from an ethnic minority background.

This year, the evaluation of the Board, its Committees and each individual Director, was externally facilitated to provide an objective opinion on our performance and effectiveness.

This external review concluded that the Board and its Committees continue to function effectively. It also highlighted some opportunities to enhance our effectiveness and the Board and its Committees have developed an action plan for implementation in 2023. You can read about the review on pages 143 to 144.

I would like to express my thanks to both Dimitri, who stepped down as our Senior Independent Director in August, and to Sue Farr for taking on this important role. Dimitri remains Chair of our Remuneration Committee and a valued member of the Board. Savio Kwan will step down from the Board at the close of the 2023 AGM and I would also like to thank him for his valuable contribution to the Board over his nine years of service.

On behalf of the Board, I confirm that we consider that this Annual Report and Form 20-F is fair, balanced and understandable, and presents the information necessary to assess the Company's position, performance, business model and strategy.

Luc Jobin
Chair

Throughout the year ended 31 December 2022, we applied the Principles of the UK Corporate Governance Code 2018.

The Company was compliant with all provisions of the Code during the year. The Board considers that this Annual Report and Form 20-F, and notably this Governance section, provides the information shareholders need to evaluate how we have complied with our obligations under the Code.

Pages noted opposite refer to particular discussion on the application of Principles of the Code in this Annual Report and Form 20-F.

Disclosure guidance and transparency rules

We comply with the Disclosure Guidance and Transparency Rules requirements for corporate governance statements by virtue of the information included in this section, together with the information contained in the Other Information section.

The UK Corporate Governance Code 2018 is available at frc.org.uk.

US corporate governance

As a result of the listing of the Company's American Depositary Shares (ADSs) on the NYSE, the Company is required to meet certain NYSE requirements relating to corporate governance matters.

Certain exceptions to these requirements apply to the Company as a foreign private issuer. For details of the significant differences between the NYSE requirements and the Company's practices, please see page 370.

Board Leadership and Company Purpose

Principle

A. Long-Term Sustainable Success
pages 2 to 115, 122 to 144

B. Purpose, Values and Culture
pages 2 to 27, 82 to 91, 122, 131, 132, 135, 144, 148

C. Resources and Control Framework
pages 4 to 18, 116 to 121, 130, 131, 135, 150 to 158

D. Shareholder and Stakeholder Engagement
pages 20 to 21, 88, 136 to 140, 159 and 169

E. Workforce Engagement, Policies, Practices
pages 66 to 67, 82 to 91, 131, 132, 140, 167, 169

Division of Responsibilities

Principle

F. Leadership of the Board
pages 122 to 144

G. Board Composition and Division of Responsibilities
pages 123 to 127, 141 to 142

H. Role and Commitment of Non-Executive Directors
pages 124 to 127, 141 to 142, 146

I. Board Support
pages 141 to 143

Composition, Succession, Evaluation

Principle

J. Board Appointments, Succession and Diversity
pages 123 to 127, 135, 145 to 149

K. Board Skills and Experience
pages 124 to 127, 145 to 146

L. Board Evaluation
pages 143 to 144

Audit, Risk, Internal Control

Principle

M. Internal and External Audit Functions
pages 153 to 158

N. Fair, Balanced and Understandable Assessment
pages 157 and 181

O. Risk Management and Internal Controls
pages 116 to 121, 135, 150 to 158, 371

Remuneration

Principle

P. Remuneration Policies and Practices
pages 159 to 180

Q. Development of Policy on Remuneration
pages 159 to 180

R. Judgement and Discretion
pages 159 to 180



For reference, we prepare a separate voluntary annual compliance report by reference to each Principle and Provision of the Code, available at bat.com/governance

Governance

Board of Directors

As at 08 February 2023

**Luc Jobin**

Chair (63)

Nationality: Canadian**Appointed:** Chair since April 2021; Non-Executive Director since July 2017.

Experience: Luc was President and Chief Executive Officer of Canadian National Railway Company from July 2016 until March 2018, having served as Executive Vice President and Chief Financial Officer since 2009. Previously, he was Executive Vice President of Power Corporation of Canada (an international financial services company) from 2005 to 2009. Luc was Chief Executive Officer of Imperial Tobacco Canada from 2003 to 2005 and Executive Vice President and Chief Financial Officer from 1998 to 2003. Luc previously served as an independent Non-Executive Director of Reynolds American Inc. from 2008 until its acquisition by the Group.

Relevant skills and contribution to the Board: Luc brings significant financial, regulatory and consumer business experience to the Board, together with extensive North American knowledge and experience of enterprise transformation.

External appointments: Independent Director and Chair of the Audit and Finance Committee of Gildan Activewear Inc..

**Jack Bowles**

Chief Executive (59)

Nationality: French

Appointed: Chief Executive since April 2019; Executive Director since January 2019.

Experience: Jack joined the Group in 2004 and was appointed as Chairman of British American Tobacco France in 2005, before becoming Managing Director of British American Tobacco Malaysia in 2007. He joined the Management Board as Regional Director for Western Europe in 2009, becoming Regional Director for the Americas in 2011, then Regional Director for Asia-Pacific in 2013. He became Chief Operating Officer in 2017 and Chief Executive Designate in November 2018, before being appointed to the Board in January 2019.

Relevant skills and contribution to the Board: Jack brings significant management, innovation, and strategic leadership to the Board, developed through his previous roles across many of the Group's key geographies and areas of business. This enables him to effectively lead the Group and deliver our ambition to build A Better Tomorrow™.

External appointments: No external appointments.

**Tadeu Marroco**

Finance and Transformation Director (56)

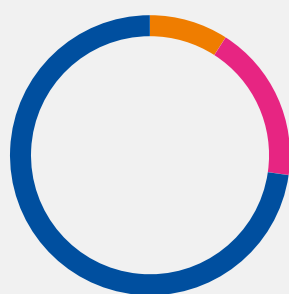
Nationality: Brazilian**Appointed:** August 2019

Experience: Tadeu joined the Group in Brazil in 1992 and joined the Management Board as Director, Business Development in 2014, later becoming Regional Director, Western Europe in 2016, then Regional Director, Europe and North Africa in January 2018. He was appointed Director, Group Transformation in January 2019 and, in addition to this role, he was appointed Deputy Finance Director in March 2019, before joining the Board as Finance Director in August 2019. As Finance and Transformation Director, Tadeu's role includes leadership of the design and delivery of the Group's QUEST transformation programme to accelerate delivery of the Group's strategy.

Relevant skills and contribution to the Board: Tadeu brings broad experience gained in various national, regional and global finance and general leadership roles, through his previous roles across the Group. These experiences make Tadeu particularly well-placed to contribute to the Group's transformation and broader strategic agenda.

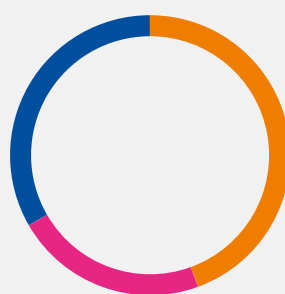
External appointments: No external appointments.

Balance of Non-Executive Directors and Executive Directors



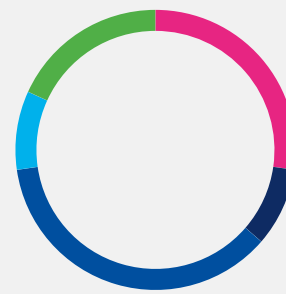
Chair	1
Executive Directors	2
Independent Non-Executive Directors	8

Length of tenure of Non-Executive Directors



0-3 Years	4
4-6 Years	2
7+ Years	3

Nationality of Directors



American	3	Canadian	1
Brazilian	1	French	2
British	4		


Krishnan (Kandy) Anand

Non-Executive Director (65)

Nationality: American

Appointed: February 2022

Experience: Kandy previously held several senior positions at Molson Coors Brewing Company, including Chief Growth Officer and CEO of Molson Coors International and Head of Strategy, M&A and Transformation. He also held senior positions at the Coca-Cola Company, including President, Coca-Cola Philippines and Vice President, Global Commercial Leadership. Prior to joining Coca-Cola, Kandy held several senior marketing leadership positions at Unilever plc. Kandy previously served on the Boards of Popeyes Louisiana Kitchen Inc. and Empower Acquisition Company.

Relevant skills and contribution to the Board: Kandy brings valuable international experience to the Board, particularly in the marketing and consumer goods sectors.

External appointments: Director of Wingstop Inc. and Chairman and Chief Executive Officer of Igniting Business Growth L.L.C..


Sue Farr

Senior Independent Director (66)

Nationality: British

Appointed: Non-Executive Director since February 2015; Senior Independent Director since August 2022.

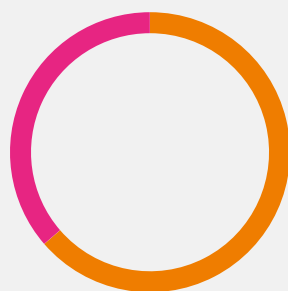
Experience: Sue's extensive career includes Director, Strategic and Business Development of Chime Group and a number of senior marketing and communications positions, including Director of Marketing BBC, Corporate Affairs Director of Thames Television and Director of Communications of Vauxhall Motors. Sue is a former Chairwoman of both the Marketing Society and the Marketing Group of Great Britain.

Relevant skills and contribution to the Board: Sue contributes considerable expertise in relation to marketing, branding and consumer matters, which are key areas of focus for the Board.

External appointments: Non-Executive Director and Chair of the Remuneration Committee of Helical PLC; Non-Executive Director of Accsys Technologies PLC and Unlimited Group Ltd and Senior Independent Director of Lookers plc.

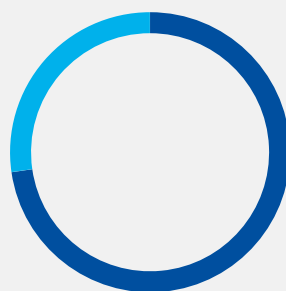
- A** Audit Committee
- N** Nominations Committee
- R** Remuneration Committee
- Committee Chair
- Executive Director
- Non-Executive Director

Directors' gender balance



Male	7
Female	4

Directors' ethnicity balance



White	8
Ethnic minorities ¹	3

Note:

1. Applying UK Office for National Statistics ethnicity categories of: Asian; Black; Mixed/Multiple Ethnic Groups; Other Non-White Ethnic Group, in alignment with the UK Listing Rules.

Governance

Board of Directors
Continued**Karen Guerra**

Non-Executive Director (66)

Nationality: British**Appointed:** September 2020

Experience: Karen has held a variety of executive roles, including President and Director General of Colgate Palmolive France, and Chairman and Managing Director of Colgate Palmolive UK Limited. She was formerly a Non-Executive Director of RS Group plc (formerly Electrocomponents p.l.c.), Davide Campari-Milano S.p.A, Paysafe PLC, Inchcape PLC, Samlerhuset BV and Swedish Match AB.

Relevant skills and contribution to the Board:

Karen brings valuable international experience, particularly in marketing, sales and consumer goods insight to the Board.

External appointments: Independent Non-Executive Director and Chair of the Nominating and Corporate Governance Committee of Amcor plc.

**Holly Keller Koepfel**

Non-Executive Director (64)

Nationality: American**Appointed:** July 2017

Experience: Up until April 2018, Holly was a Senior Advisor to Corsair Capital LLC, where she had previously served as Managing Partner and Co-Head of Infrastructure from 2015 until her retirement in 2017. From 2010 to 2015, she served as Co-Head of Citi Infrastructure Investors. Prior to 2010, she held financial and executive management roles with Consolidated Natural Gas Company and American Electric Power Company, Inc. (AEP), ultimately serving as Chief Financial Officer of AEP. Holly previously served as an independent Non-Executive Director of Reynolds American Inc. from 2008 until its acquisition by the Group.

Relevant skills and contribution to the Board:

Holly's extensive international operational and financial management experience in a range of industry sectors enables her to make important contributions to the Board.

External appointments: Non-Executive Director and Chair of Audit Committee of the Flutter Entertainment plc; Director and the Chair of the Governance Committee of AES Corporation; and Director of Arch Resources Inc..

**Savio Kwan**

Non-Executive Director (74)

Nationality: British**Appointed:** January 2014

Experience: During his extensive career Savio has worked broadly in technology for General Electric, BTR plc and Alibaba Group, China's largest internet business, where he was both Chief Operating Officer and later, a Non-Executive Director.

Relevant skills and contribution to the Board:

Savio brings significant business leadership experience to the Board, together with a deep knowledge of Greater China and Asia, an important region for the Group.

External appointments: Co-Founder and CEO of A&K Consulting Co Ltd; Member of the Governing Body of the London Business School, Alibaba Hong Kong Entrepreneur Fund, and Crossborder Innovative Ventures International Limited; Non-Executive Director of Southern England Wines Ltd and Jasper Morris in Burgundy - CN; Non-Executive Director and Advisory Board member of Homaer Financial.

Attendance at Board meetings in 2022

Name	Director since	Attended/Eligible to attend ¹
		Meetings ⁴
Luc Jobin	2017	9/9
Jack Bowles	2019	9/9
Tadeu Marroco	2019	9/9
Kandy Anand ^{3(a)}	2022	8/8
Sue Farr ²	2015	8/9
Karen Guerra	2020	9/9
Holly Keller Koepfel	2017	9/9
Savio Kwan	2014	9/9
Véronique Laury ^{3(b)}	2022	2/2
Dimitri Panayotopoulos	2015	9/9
Darrell Thomas	2020	9/9
Dr Marion Helmes ^{3(c)}	2016-2022	4/4

**Véronique Laury**

Non-Executive Director (57)

Nationality: French**Appointed:** September 2022

Experience: Over the course of her career, Véronique has held several leadership roles. From September 2014 to September 2019, she was Chief Executive Officer of Kingfisher plc, an international home improvement company across Europe operating under several brands including B&Q, Castorama, Brico Dépôt, Screwfix and Koçtaş. She spent over 16 years at Kingfisher and during her tenure she also served as Chief Executive Officer and Commercial Director at both B&Q and Castorama. Most recently she served as a member of the Tarkett SA Supervisory Board.

Relevant skills and contribution to the Board: Véronique brings extensive international consumer goods, strategic, transformation and digital experience to the Board.

External appointments: Board member of WeWork Inc.; Sodexo SA; Inter IKEA Holding B.V.; and Eczacıbaşı Holding Company.

**Dimitri Panayotopoulos**

Non-Executive Director (71)

Nationality: British

Appointed: Non-Executive Director since February 2015; stepped down as Senior Independent Director in August 2022.

Experience: Dimitri was Vice Chairman and Advisor to the Chairman and CEO of Procter & Gamble (P&G), where he started his career in 1977. During his time at P&G, Dimitri led on significant breakthrough innovations and continued to focus on this, speed-to-market and scale across all of P&G's businesses while Vice Chairman of all the Global Business Units.

Relevant skills and contribution to the Board: Dimitri has extensive general management and international sales and brand building expertise, which enables him to make valuable contributions to Board discussions on these important topics.

External appointments: Independent Director and Chair of the Compensation Committee of North Atlantic Acquisitions Corporation; Senior Advisor at The Boston Consulting Group; Advisory Board member of JBS USA; Board Member of IRI; and Chairman of Airway Therapeutics Inc..

**Darrell Thomas**

Non-Executive Director (62)

Nationality: American**Appointed:** December 2020

Experience: Most recently, Darrell served as Vice President and Treasurer for Harley-Davidson, Inc., a position which he held from June 2010 to April 2022, having previously held several senior finance positions, including Interim Chief Financial Officer for Harley-Davidson, Inc., Chief Financial Officer for Harley Davidson Financial Services, Inc. and Vice President and Assistant Treasurer, PepsiCo, Inc.. Prior to joining PepsiCo, Inc. Darrell had a 19-year career in banking with Commerzbank Securities, Swiss Re New Markets, ABN Amro Bank and Citicorp/Citibank where he held various capital markets and corporate finance roles.

Relevant skills and contribution to the Board: Darrell brings invaluable experience to the Board, particularly in finance and treasury, in addition to his extensive operational and management skills and knowledge of capital markets.

External appointments: Independent Director of Dorman Products Inc.; Non-Executive Director of Scotia Holdings (US) Inc. and Board member of Sojourner Family Peace Center, Inc..

Notes:

1. Number of meetings in 2022: The Board held nine meetings in 2022, three of which were ad hoc, to review: (a) a new Management Board appointment; (b) planning in respect of the transfer of the Group's business in Russia; and (c) an update on Group legal matters.
2. Sue Farr did not attend the ad hoc meeting in February convened at short notice due to prior commitments. Directors that are unable to attend Board or Committee meetings have the opportunity to provide their comments to the Chair in advance of the meeting.
3. Composition: The Board of Directors is shown as at the date of this Annual Report and Form 20-F; (a) Kandy Anand joined the Board on his appointment as a Non-Executive Director on 14 February 2022; (b) Véronique Laury joined the Board on her appointment as a Non-Executive Director on 19 September 2022; and (c) Marion Helmes stepped down from the Board with effect from the conclusion of the AGM on 28 April 2022.
4. Number of meetings in 2023: Five Board meetings are scheduled for 2023, with ad hoc meetings convened as may be required.

Governance

Management Board

As at 08 February 2023

**Jack Bowles**

Chief Executive (59)

**Jerome Abelman**

Director, Legal and External Affairs and General Counsel (59)

**Michael Dijanosic**

Regional Director, Asia-Pacific and Middle East (51)

**Zafar Khan**

Director, Operations (50)

**Tadeu Marroco**

Finance and Transformation Director (56)

Read more on [page 124](#)**Nationality:** American

Jerome was appointed General Counsel and Director, Legal and External Affairs in May 2015 after joining the Management Board as Director, Corporate and Regulatory Affairs in January 2015. He served as a Director on the Board of Reynolds American Inc. from February 2016 until July 2017.

Nationality: Australian

Michael was appointed Regional Director for Asia-Pacific and Middle East in September 2020 and joined the Management Board at the same time. Previously, he was Area Director for Asia-Pacific and Global Travel Retail. Michael joined the Group in 1999 and has held several senior roles in the Group including General Manager (Papua New Guinea and Cambodia) and Regional Manager, Asia-Pacific.

Nationality: Pakistani

Zafar was appointed Director, Operations in February 2021 and became a member of the Management Board at the same time. Previously, he was Group Head of New Categories Operations. Zafar joined BAT in 1996 and has held several senior roles in the Group, including Regional Head of Operations Asia Pacific & Middle East, Group Head of Plan, Service & Logistics, Regional Head of Plan and Service for Western Europe and Head of Operations, Bangladesh.

**Luciano Comin**

Regional Director, Americas and Sub-Saharan Africa (53)

Nationality: Italian/Argentinian

Luciano joined the Management Board as Regional Director, Americas and Sub-Saharan Africa in January 2019. He joined the Group in 1992 and has held a wide range of roles, including Marketing Director in Venezuela, Marketing Director in Mexico and General Manager of BAT Mexico. Luciano was also Regional Marketing Manager for Western Europe and then Regional Head of Marketing, Americas and Sub-Saharan Africa before his appointment to the Management Board.

**Javed Iqbal**

Director, Digital and Information (50)

Nationality: Pakistani

Javed joined the Group as a Management Trainee, Finance in 1996 having previously held a number of senior roles, most recently as the Area Director for Middle East, South Asia and North Africa. He joined the Management Board as Director, Digital and Information in April 2022 to lead the next phase of BAT's strategic digital transformation.

**Hae In Kim**

Director, Talent, Culture and Inclusion (48)

Nationality: Korean

Hae In joined the Management Board as Director, Talent and Culture Designate in January 2019 and became Director, Talent and Culture in April 2019, subsequently the role title changed to Talent, Culture and Inclusion. She was previously Group Head of Talent and Organisational Effectiveness and has held several other senior HR roles in the Group. Prior to joining the Group in 2008, she gained experience at Samsung, IBM Consulting Services and PricewaterhouseCoopers.

**Paul Lageweg**

Director, New Categories (53)

Nationality: Dutch

Paul joined the Management Board as Director, New Categories in January 2019. He has been with the Group for 14 years in various senior roles, including Regional Marketing Manager, Asia-Pacific and Middle East, Area Director, East Asia and Global Head of Marketing Futures.

**Dr James Murphy**

Director, Research and Science Designate (47)

Nationality: Irish

James was appointed Director, Research and Science Designate in February 2023 and became a member of the Management Board at the same time. He has been with the Group for more than 17 years in various senior roles in the Group, including EVP U.S. Scientific Research & Development based in the US, as well as Group Head of PRRP Science and Regional Product Manager for Americas and Sub-Saharan Africa.

**Johan Vandermeulen**

Regional Director, Europe (55)

Nationality: Belgian

Johan was appointed Regional Director, Europe and North Africa in January 2019. From 1 January 2022, his role title is Regional Director, Europe. Johan joined the Management Board in 2014 as Regional Director for Eastern Europe, Middle East and Africa, then became Regional Director, Asia-Pacific and Middle East in January 2018. He has been with the Group for more than 30 years and his previous roles include General Manager in Russia and Turkey and Global Brand Director for the Kent brand.

Note:

Effective 28 February 2023, Dr David O'Reilly will step down from the Management Board. David will be succeeded by Dr. James Murphy who joined the Management Board as the Director, Research and Science Designate with effect from 1 February 2023, before assuming the role of Director, Research and Science, reporting to the Chief Executive, on 1 March 2023.

**Guy Meldrum**

President and CEO, Reynolds American Inc. (51)

Nationality: New Zealander

Guy was appointed President and CEO of Reynolds American Inc. in September 2020, having joined the Management Board as Regional Director, Asia-Pacific and Middle East in January 2019. Previously, he was Area Director, Australasia Area. Guy joined the Group in 1993 and has held several senior roles in the Group including Area Director, North Asia Area and Marketing Director, Russia.

**Dr David O'Reilly**

Director, Research and Science (56)

Nationality: British

David was appointed Director, Research and Science in January 2019, having joined the Management Board as Group Scientific Director in 2012, leading R&D's focus on potentially reduced-risk products. He has been with the Group for more than 20 years and was previously Head of International Public Health and Scientific Affairs, responsible for engagement with scientific, medical and public health communities.

**Kingsley Wheaton**

Chief Growth Officer (49)

Nationality: British

In September 2022, Kingsley was appointed Chief Growth Officer. He joined the Group in 1996 and has held various senior marketing positions, most recently as Chief Marketing Officer. He was appointed to the Management Board as Corporate and Regulatory Affairs Director in 2012. In January 2015, he became Managing Director, Next Generation Products and then Regional Director, Americas and Sub-Saharan Africa in January 2018.

Board Leadership and Purpose

Governance Framework

An overview of our governance framework is set out below. There is a clear and effective division of responsibility established between our Board, its Committees and operational management.

Our Board

Primary Board responsibilities include:

- Group strategy (including ESG) and ensuring resources are in place to meet objectives
- Setting Group performance objectives and monitoring performance
- Group budget
- Effective risk management and internal control systems
- Periodic financial reporting
- Annual Report & Accounts and Form 20-F approval
- Dividend policy (including declaration of dividends) and returns to shareholders
- Significant investments, disposals, corporate financing and other corporate activities
- Board, Management Board and Company Secretary appointments and succession planning
- Establishing appropriate systems of corporate governance within the Group
- Group policies
- Effective engagement with shareholders, our workforce and wider stakeholders
- Assessing and monitoring culture and its alignment with Group purpose, values and strategy
- Ensuring workplace policies and practices align with values and support sustainable success
- Monitoring compliance with the Standards of Business Conducts and review of Speak Up channels and reports arising
- Considering annual review of Board effectiveness



The statement of matters reserved for the Board is available at bat.com/governance



Board oversight of M&A transactions
See page 320



Delegation of Authorities: As part of our internal controls framework, the Board delegates certain authorities to executive management through the Group Statement of Delegated Authorities to enable effective delivery of Group strategy (see page 131)

Board Committees

Audit Committee

Monitors the integrity of financial reporting, independence and effectiveness of the external auditors, assurance of ESG metrics, internal controls and risk management



See page 150 for role and activities
Terms of reference at bat.com/governance

Nominations Committee

Recommends Board and Management Board appointments; oversees development of executive talent pipeline



See page 145 for role and activities
Terms of reference at bat.com/governance

Remuneration Committee

Establishes the Directors' Remuneration Policy; determines remuneration for the Chair and executive management



See page 178 for role and activities
Terms of reference at bat.com/governance

The Board has three principal Board Committees to which it has delegated certain responsibilities. The roles, memberships and activities of these Committees are described in their individual reports in this section.

Each Committee has its own terms of reference, available at bat.com/governance. These are regularly reviewed and updated where necessary.

Following each Committee meeting, the Chair of each Committee provides a full briefing to the Board, including on decisions made and key matters discussed.

Copies of the minutes of all Committee meetings are circulated to all Board members to the extent appropriate.

Management Board

Management Board Structure

The Management Board is chaired by the Chief Executive and comprises the Executive Directors and 12 senior Group executives^{*} whose names and roles are described on pages 128 to 129.

Javed Iqbal was appointed as Director, Digital & Information, with effect from 1 April 2022. Marina Bellini stepped down from the Management Board with effect from 31 March 2022. Kingsley Wheaton's role was redesignated as Chief Growth Officer with effect from 1 September 2022.

Dr James Murphy was appointed as Director, Research and Science Designate on 1 February 2023 and then as Director, Research and Science with effect from 1 March 2023. Dr David O'Reilly will step down from the Management Board with effect from 28 February 2023.

Further changes to the structure and composition of the Management Board to drive accelerated transformation were announced on 31 January 2023. These changes will take effect on 1 April 2023 and will be discussed in the Annual Report and Form 20-F for 2023.

Management Board Responsibilities

The Management Board is responsible for overseeing the implementation of Group strategy and policies set by the Board, and creating the framework for Group subsidiaries' day-to-day operations.

Primary responsibilities of the Management Board include:

- Developing Group strategy for the Group's product portfolio for approval by the Board
- Monitoring Group operating performance
- Ensuring Group, regional and functional strategies and resources are effective and aligned
- Managing the central functions
- Overseeing the management and development of Group talent

Note:

* 11 senior Group executives from 1 March 2023.

Leadership Overview

Board Leadership

The Board is collectively responsible to our shareholders for the long-term sustainable success of the Company and for the Group's strategic direction, purpose, values and governance.

The Board provides the leadership necessary for the Group to meet its business objectives within a robust framework of internal controls, and is also responsible for ensuring the Group has an effective executive leadership team in place to execute the Group's strategy.

The Board maintains oversight of the Group's operations, performance, governance and compliance with regulatory obligations. The Board's primary responsibilities are summarised on page 130.

Board activities

The Board has a comprehensive annual programme of meetings to review the Group's strategy and monitor performance across all elements of the Group's business model.

The Board's strategic priorities for 2022 are identified within the key performance indicators set out on page 7. Its key activities during the year are set out on pages 134 to 135. The Chair sets structured meeting agendas in consultation with the Chief Executive and the Company Secretary.

The Board considers stakeholder interests in its decision-making on an ongoing basis. Examples of principal decisions made by the Board during the year, and consideration given to the long-term consequences of decisions, stakeholder interests, the impact of operations on the environment and corporate reputation in those contexts, are discussed on page 133.

As part of the Board meetings in October 2022, the Board held three full-day strategy sessions with executive management to assess the Group's strategy and long-term growth opportunities, strategic priorities, progress on key initiatives including QUEST, and key challenges, risks and mitigation plans.

Oversight of the impact of the conflict between Russia and Ukraine was an important focus for the Board throughout 2022. Particular attention was given to the impact on colleagues in the region, other affected stakeholders and Group operations, and the Group's response taking into account reputational and regulatory considerations. The Board continues to oversee plans for the transfer of the Group's business in Russia (together with the Belarusian business) (see page 133).

How our governance framework supports our strategy

Our governance framework, including the structure of the Board and its principal Committees, is set out on page 130.

Certain key decisions and matters are reserved for the Board and not delegated to any Committees or executive management.

As part of our internal controls framework, the Board has delegated certain authorities to executive management through our Group Statement of Delegated Authorities (SoDA) to enable effective delivery of our strategy.

Our SoDA is designed to empower management at the right level of our organisation and promote accountability and ownership. Overseeing the implementation of Group strategy through our SoDA is one of the ways that the Board promotes robust corporate governance, risk management and internal controls across the Group.

Our SoDA also supports our Board members in managing their responsibility for promoting the success of the Company, in line with their directors' duties.

 Matters reserved to the Board
[bat.com/governance](https://www.bat.com/governance)



Members of the Board with US business colleagues at the Bowman Gray Tech Center in North Carolina, US

Our purpose, ethos and culture

Our purpose, to build A Better Tomorrow™ for all our stakeholders, is underpinned by our ethos. Our ethos guides our culture and behaviours, enabling an organisation that is future fit for sustainable growth. We believe our ethos empowers our people and fosters a vibrant, rewarding and responsible workplace. Its focus on diversity and inclusion enables better understanding, connectivity and insights across our business.

The Board is responsible for ensuring that our culture is aligned with the Group's purpose, ethos and strategy. The Board is committed to supporting the Management Board in continuing to promote our ethos in every area of our business.

Our Ethos



We are
Bold



We are
Diverse



We are
Fast



We are
Empowered



We are
Responsible



Read more about our ethos on [page 84](#)

Read more about our purpose on [page 25](#)

Delivery with integrity

How we execute our strategy is as important as its successful delivery. It is essential to the Group's long-term, sustainable success that all our people act with high standards of behaviour. We articulate this through our Group Standards of Business Conduct (SoBC). Compliance with our SoBC, in letter and spirit, is mandatory for all our people worldwide.

Our SoBC includes our Speak Up policy, reflecting the Speak Up channels for raising any concerns in confidence (anonymously if preferred) and without fear of reprisal. It also includes our Lobbying and Engagement policy, reinforcing that all our engagement activities with governments, regulators and other external stakeholders must be conducted with transparency, openness and integrity.

Our SoBC is regularly reviewed and updated. A revised SoBC was introduced in January 2022 (discussed on page 66), supported by a Group-wide awareness campaign with emphasis on environmental sustainability, information security, and line managers' responsibilities. The Audit Committee is kept updated on SoBC allegations, and reports to the Board to enable Board oversight of behaviour falling short of our standards and the corrective action taken.



Read more about our commitment to delivery with integrity and our Group Standards of Business Conduct on [pages 66 to 67](#)

Board Leadership and Purpose

Cultural Oversight

Shaping and Overseeing Culture

The Board considers the Group's culture and initiatives promoting our ethos in a range of contexts throughout the year, including through workforce engagement.

Key examples of the Board's oversight of culture in 2022 and primary indicators used by the Board to gauge organisational culture are set out below.

How the Board oversees and monitors culture is considered as part of the annual review of Board effectiveness, discussed on page 144.

Connecting directly with our people

The Directors typically participate in visits to trade marketing, R&D and operational sites during the year. This gives them first-hand experience of the Group's organisational culture in context, enables them to hear directly from colleagues across different levels of the organisation and gain a broader understanding of current sentiment.

In June 2022, Luc Jobin and Jack Bowles joined Darrell Thomas, Holly Keller Koeppel and Kandy Anand for a visit to trade marketing, R&D and operational sites in the U.S., including the Reynolds Operations Centre in North Carolina, to see how our US business is working to drive transformation.

The Directors had the opportunity to hear from colleagues on a range of topics, from science and innovation to sustainable waste management and recycling initiatives. The Directors also toured a variety of retail outlets to better understand how our New Categories products meet evolving consumer trends.

In July 2022, Karen Guerra, with Darrell and Kandy, visited our R&D Centre in Southampton, UK. The Directors met with scientists, technicians, engineers and developers and visited our biotech and prototyping laboratories, and our blending and liquids studios, to better understand our New Categories innovation and product safety science.

In October 2022, all the Directors attended a U.S. market visit as part of the Board's strategy sessions. The Directors visited a range of retail outlets in California to see local trade marketing operations, consumer touchpoints and examples of how we engage with retailers to promote responsible marketing practices, including age verification.

Understanding feedback and perspectives

Insights from workforce engagement channels, including our global Your Voice employee survey, support the Directors' understanding of the views and sentiments of our people.

Our Your Voice survey is conducted every two years and includes questions to gain feedback on employees' perceptions of culture, leadership, inclusion and wellbeing and to identify opportunities for improvement.



Members of the Board on site with colleagues at the Reynolds Operations Centre in North Carolina, U.S.



Luc Jobin and Kandy Anand meeting with scientific research and product development colleagues at the Bowman Gray Tech Center, North Carolina, US

How our Board engages with our people through our workforce engagement channels, and is kept informed of their interests and perspectives, is discussed further on pages 88, 140 and 169.

Keeping informed

The Board discussed organisational culture with the Chief Executive and executive management regularly in 2022, including as part of the Chief Executive's report at scheduled board meetings. They also discussed reports from the Director, Talent, Culture & Inclusion, on topics including talent strategy, workforce engagement insights and initiatives to support the health and wellbeing of our people.

The Director, Operations, reported to the Board twice during the year on workforce health and safety and the ongoing impact of COVID-19 in certain markets.

The Remuneration Committee reviewed key aspects of workforce remuneration policies, compensation frameworks and incentive schemes, and their alignment with the culture and strategy of the Group. The Committee also considers the Group's gender and ethnicity pay reporting on an annual basis.

Oversight of business integrity and compliance

The Audit Committee reviewed quarterly reports from the Group Head of Business Integrity & Compliance on the Group's Delivery with Integrity programme, compliance with the SoBC and reports from Speak Up channels, and reported to the Board on these topics.

The Audit Committee also received regular reports from the Group Head of Internal Audit on the outcomes of internal audits conducted in 2022, and action plans agreed with management where areas for improvement were identified.

Culture insights and trends

The Board reviews the Group culture dashboard every year. The dashboard presents a series of insights and indicators related to culture and engagement, measured across the organisation over time, to support the Board in monitoring trends.

Topics include diversity at different levels of the organisation, employee engagement and empowerment (measured through our global Your Voice employee survey), leadership stability, employee retention, voluntary turnover, new capabilities hires, environmental management, health and safety, and business conduct (including Speak Up reports).

Following review, the Board is satisfied that our culture is aligned with the Group's purpose, strategy and ethos, and reflected consistently in our workplace policies and practices.

Principal Decisions Made by the Board

Outlined below are some of the principal decisions made by the Board over the year, highlighting how the Board considered relevant factors, including key stakeholder perspectives, the environment, reputation for high standards of business conduct, and the long-term impact of decisions.

Our key stakeholders and how the Board engages with them are discussed further on pages 136 to 140. Board activities in 2022 are set out in pages 134 to 135.

Capital Allocation Fit for Growth

Through its review and approval of the 2023 budget, the Board assessed capital allocation priorities to support the Group's long-term, sustainable growth in the context of a volatile macro-economic environment and inflationary pressures. The 2023 budget enables acceleration of New Categories performance towards our targets for revenue and profitability, supports EPS growth and continued deleveraging in accordance with our guidance and shareholder expectations, and takes account of the importance of maintaining financial flexibility and focus on dividend distribution.

Capital allocation decisions made as part of the budget also take account of continued investment in robust product stewardship and scientific research, delivery of ESG targets including those aimed at reducing the environmental impact of our operations, workforce remuneration in an inflationary environment, and commercial arrangements with suppliers and customers.

Key stakeholder perspectives taken into account

Shareholders and Investors

Consumers

Customers

Suppliers

Our people

Governments and wider society

Quantum Phase 4 Strategic Review

The Board reviewed plans to commence a strategic review of the Group's regional and business unit structures under Phase 4 of Quantum to support acceleration of the Group's transformation.

The Board considered the longer-term benefits anticipated through restructuring, including enhanced resource allocation, potential to build new capabilities and development of the Group's marketing, product and science functions to steward world-class brands. In view of some anticipated reduction in headcount associated with the restructuring, the Board also took into account the impact on Group company employees and the importance of adopting a responsible approach to restructuring, including applicable information and consultation requirements in relevant markets.

Key stakeholder perspectives taken into account

Shareholders and Investors

Our people

Consumers

Governments and wider society

Transfer of the Group's Business in Russia

The Board has closely monitored the impact of the evolving conflict in Ukraine on the Group and its operations, with the safety and wellbeing of Group company employees across the region as the first priority.

In March 2022, the Board concluded that ownership of the Russian business was no longer sustainable and we announced initiation of the process to transfer that business. In reaching this conclusion, the Board considered the interests of our people in the region and measures taken to safeguard their physical security and welfare, expectations across all our stakeholders for high standards of business conduct, compliance with applicable sanctions and other regulatory considerations, and the impact on the Group's broader supply chain. Subsequently, the Board has overseen progress of activities towards transfer of the Russian business (together with the Belarusian business) within a complex and volatile context.

Key stakeholder perspectives taken into account

Shareholders and Investors

Our people

Consumers

Customers

Suppliers

Governments and wider society

Global Product Stewardship Framework Policy

The Board approved a revised Global Product Stewardship Framework Policy with effect from 1 January 2023. The revised policy articulates our approach to robust product stewardship across our multi-category portfolio and our commitment to scientific engagement. Updates to the policy were informed by input from our research scientists, external benchmarking, current industry best practice and evolving product regulation.

In approving the revised policy, the Board took into account the expectations of our consumers and wider stakeholders for consistently high standards of product stewardship and the importance of maintaining those standards as part of our long-term sustainable success. The Board also took account of our commitment to offer adult consumers brands they can trust that are manufactured to high quality and safety standards.

Key stakeholder perspectives taken into account

Shareholders and Investors

Consumers

Customers

Suppliers

Governments and wider society

We define principal decisions as those decisions and discussions by the Board that are strategic or material to the Group and those of significance to any of our key stakeholders.

Board Leadership and Purpose

Board Activities



Simplify the Business

The Board understands our business is enabled by simplifying our structures, embracing digital transformation, and rigorous cost management

Activities in 2022

- reviewing progress of Quantum implementation (part of QUEST), across Phase 1 organisational design and business simplification; Phase 2 End Market operating model optimisation; and Phase 3 head office restructuring and leverage of Global Business Solutions to increase efficiencies, and savings delivered against target to release funds for investment;
- reviewing design and planning activities for Quantum Phase 4 operating model to optimise the Group's geographical footprint and develop foundations for a multi-category future;
- oversight of broader QUEST programme implementation to accelerate enterprise capabilities and enablers, highlighted below;
- reviewing plans to further drive Global Business Solutions efficiency and effectiveness in delivering end-to-end business processes; and
- oversight of New Categories initiatives to optimise cost of goods, drive marketing spend efficiencies and reduce portfolio complexity as part of the Group's focus on stronger, global brands.



Step change in New Categories Performance

Continued investment and development of New Categories to accelerate growth is a strategic focus of the Board's agenda

Activities in 2022

- reviewing Group and regional performance against strategy to accelerate New Categories growth and key performance indicators, including New Categories revenue, contribution and market share;
- reviewing industry, Group and regional performance outlook and the competitive environment;
- reviewing our New Categories investment glidepath and innovation pipeline across product portfolios, with focus on the new glo Hyper X2 product;
- evaluating consumer adoption, trading environment and competitor landscape across New Categories portfolios;
- reviewing the Group's New Categories supply chain, its resilience, sourcing footprint, impact of inflationary pressures and optimisation strategies developed to mitigate impacts;
- overseeing the development of strategic opportunities beyond nicotine, including Btomorrow Ventures' strategic mandate and portfolio investments;
- reviewing the regulatory landscape in New Categories and beyond nicotine across key markets, with deep dive reviews on Europe and the US; and
- assessing strategic options for developing beyond nicotine foundations in wellbeing and stimulation.



Drive value from Combustibles

Driving value from combustibles is a core priority for the Board, to deliver today and build A Better Tomorrow™

Activities in 2022

- assessing strategic approach to drive value from combustibles to fund New Categories investment, including review of market archetypes, portfolio complexity reduction, revenue growth management and marketing spend efficiency initiatives;
- reviewing Group and regional performance against strategy and key performance indicators, including value share growth and stock-keeping unit rationalisation;
- reviewing industry outlook, trading environment and competitor landscape through a global and regional lens;
- reviewing combustible product portfolios, product development pipelines and leaf blend optimisation across the Group's global drive brand portfolio;
- understanding the impact of growth in illicit trade, particularly in developing markets;
- reviewing evolving global product regulation, including regulation of menthol and flavours, particularly in the US; and
- reviewing the impact of evolving tax regimes, with focus in particular on excise tax developments in the US.



Fit for future growth

The Board oversees the implementation of our QUEST programme, which lays the foundations for the Group's multi-category future.

The Finance and Transformation Director is the programme director for Quest and responsible for QUEST implementation.

In 2022, the Board reviewed progress on QUEST's five capability accelerators with the Management Board, including in depth reviews at the Board's strategy sessions in October.

The five QUEST enablers are:

Quantum

Quantum's objective is to simplify the organisation and generate funds through cost savings to reinvest in New Categories. Board oversight of Quantum in 2022 is discussed above.

Unleash Innovation

Strategy to sharpen BAT's R&D innovation model, including focus for investment, partnering with external innovation partners and development of talent capabilities.

Empowered organisation

Building an engaged, agile and high performing organisation, with winning capabilities, accountable and empowered leaders, and a fit-for-growth organisational design with an ambitious diversity and inclusion agenda.

Shaping Sustainability

Accelerating our path to becoming a truly sustainable enterprise through transparent engagement with scientists, regulators and policy-makers so that our strategy takes account of their views, developing our New Categories science programmes while advocating for appropriate standards and regulations and evolving our approach to ESG reporting in line with stakeholder expectations.

Technology and digital

Driving digital transformation across our organisation, using data and analytics and developing enhanced digital capabilities.



Read more about our QUEST programme and capability accelerators on [pages 24 to 25](#)



Financial and Risk

The Board pays close attention to Group performance and financial matters, internal control, and integrity of reporting and risk management

Activities in 2022

- approving the Group budget, reviewing the application of the Group's flexible capital allocation strategy, and oversight of resource allocation activities to support strategy execution;
- reviewing Group financial performance against key performance metrics, current outlook, challenges and opportunities for growth in each region, and FX impacts;
- reviewing Group half-year results, trading updates, year-end results and the Annual Report and Form 20-F;
- approving the share buyback programme for 2022;
- reviewing share price performance and investor and broker perspectives;
- approving interim dividend proposals and assessing distributable reserves of the Company prior to dividend payments;
- determining Group viability, taking into account current position and principal risks;
- reviewing compliance with Group financing principles, including liquidity, capital allocation and net debt/EBITDA;
- reviewing the Group's revolving credit facilities, refinancings, the Euro hybrid bond issuance, and debt issuance programmes;
- reviewing Group cash flow performance and opportunities to optimise the balance sheet to enable investment, while reducing the carrying value of debt;
- assessing the impact of macro-economic trends on Group performance, outlook and operations due to geopolitical instability, increasing inflation and rising interest rates;
- reviewing the Group risk register, and risk appetite in the context of strategic objectives and emerging risks, with focus on the impacts of the conflict in Ukraine and inflationary pressures on supply chains;
- reviewing status of litigation involving Group companies;
- reviewing Group insurance coverage; and
- reviewing financial performance of associates of the Group periodically.



Environmental, Social, Governance

The Board emphasises that our strategy, business, and product portfolio be sustainable for the long term and meet our evolving societal responsibilities

Activities in 2022

- assessing the impact of the evolving conflict in Ukraine on Group company personnel in the region and other affected stakeholders, reputational and regulatory considerations, and Group business continuity structures and plans to manage the Group's response;
- overseeing the Group's ESG strategy, including climate-related issues and opportunities for the Group, and reviewing performance against the Group's ESG metrics;
- reviewing environmental performance for the preceding year and progress against glidepaths towards achieving the Group's environmental targets, including in relation to climate (targets aligned to net zero emissions by 2050), renewable energy, water stewardship and recycling;
- approving revised versions of the Group's Environment and Health & Safety Policies, effective from July 2022;
- approving the Group's new Global Product Stewardship Framework, effective from January 2023;
- reviewing the perspectives of the Group's key stakeholders, the Group's response to stakeholder perspectives, and the effectiveness of engagement mechanisms;
- reviewing the outcomes of the Investor Perception Survey conducted in 2022;
- reviewing the outcomes of the ESG Double Materiality Assessment conducted in 2022 and oversight of the creation of a new leadership role of Chief Sustainability Officer as a resulting action;
- approving the annual Modern Slavery Act statement and annual Conflict Minerals Report;
- approving revised Articles of Association for the Company, to be proposed to shareholders for approval at the 2023 AGM; and
- reviewing updates on compliance matters, including allegations of misconduct, reports from Speak Up channels and investigations, and the Group's Delivery with Integrity programme initiatives.



Ethos, Culture, People

The Board shapes and oversees the Group's culture and ethos. Setting the 'tone from the top' is an important part of the Board's role

Activities in 2022

- approving the appointment of Kandy Anand and Véronique Laury as Non-Executive Directors, on the recommendation of the Nominations Committee;
- approving changes to Management Board composition, on the recommendations of the Nominations Committee;
- approving a revised version of the Board Diversity Policy, effective from November 2022;
- determining the independence of Non-Executive Directors prior to proposing them for appointment at the Company's AGM;
- approving revisions to Non-Executive Director fees;
- monitoring corporate culture and its alignment with the Group's purpose, ethos and strategy;
- reviewing the Group's talent strategy, diversity and inclusion agenda, and progress against objectives;
- reviewing feedback from the Group's workforce engagement mechanisms;
- overseeing measures implemented to prioritise and protect the health, safety and wellbeing of the Group's workforce, including support for colleagues based in Ukraine and the wider region, strategies for safe and engaging returns to workplaces as COVID-19 restrictions eased, and provision of vaccination support in various markets;
- reviewing health and safety performance for the preceding year, outcomes of Environment, Health & Safety roadmap assessments, targets for the coming year and action plans;
- reviewing the effectiveness of Speak Up channels;
- reviewing the outcomes of the externally-facilitated Board evaluation in 2022;
- reviewing the funding positions relating to the Group's post-employment benefit schemes; and
- approving amendments to share and incentive plan rules to update malus and clawback provisions in alignment with the 2022 Directors' Remuneration Policy.

Board Leadership and Purpose

Board Engagement with Stakeholders

We understand the strategic importance of stakeholders to our business.

Our Directors value engagement with our shareholders and wider stakeholders to understand their views and inform the Board's decision-making, strategy development and risk assessment.

Shareholder and Investor Engagement

The Board is committed to open and transparent dialogue with shareholders and investors to ensure their views are understood and considered.

The Chair and Executive Directors' annual engagement programme is discussed below. The Senior Independent Director and other Non-Executive Directors are also available to meet with major shareholders on request.

Annual investor relations programme

A global engagement programme is conducted annually with shareholders, investors, potential investors and analysts.

This is led by the Chair and Executive Directors, supported by the Investor Relations team. The Executive Directors presented our Full and Half-Year results and pre-close statements with investor Q&A calls. Presentations and transcripts are published on bat.com.

In total we hosted 533 investor meetings in 2022, covering 70% of our shareholder base with broad geographic coverage. As the year progressed there was a steady return to physical conferences, investor meetings and roadshows as travel restrictions eased. Investor interaction in physical and virtual event formats included attendance at five investor conferences, nine investor roadshows and two salesforce briefings.

In February 2022, Jack Bowles, Tadeu Marroco and Kingsley Wheaton presented at the Consumer Analyst Group of New York (CAGNY) conference via a live webcast and Q&A to over 150 investors. BAT also participated in two flagship investor conferences, Deutsche Bank Consumer Conference in Paris in June and Barclays Global Consumer Staples Conference in Boston in September. Tadeu joined 'fire-side' discussions, hosted by each bank's sector analysts, and investor meetings.

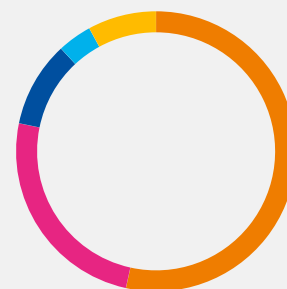
ESG engagement remains an important focus. Investors were engaged in the context of our ESG Double Materiality Assessment to ensure their expectations and perspectives were taken into account. We also completed a stakeholder mapping exercise, to support development of more targeted ESG engagement with investors, special interest groups and asset owners.

Shareholder Communications

Our investor website enhances our digital interaction with investors. It includes our investment case, our approach to ESG, shareholder FAQ and regular consensus sharing. Our Investor News hub pulls our press releases, news and features together in one place for investors, with an automated news alerts service available to keep investors up to date. Our investor website covers live broadcasts of events, including results and conferences, and playback slides and transcript available online.

Investor meetings 2022

Geographic scope (%)



United Kingdom	54
United States	25
South Africa	10
Europe (ex UK)	4
Rest of world	8

533

Meetings in 2022
(2021: 678, primarily virtual format)

Spotlight

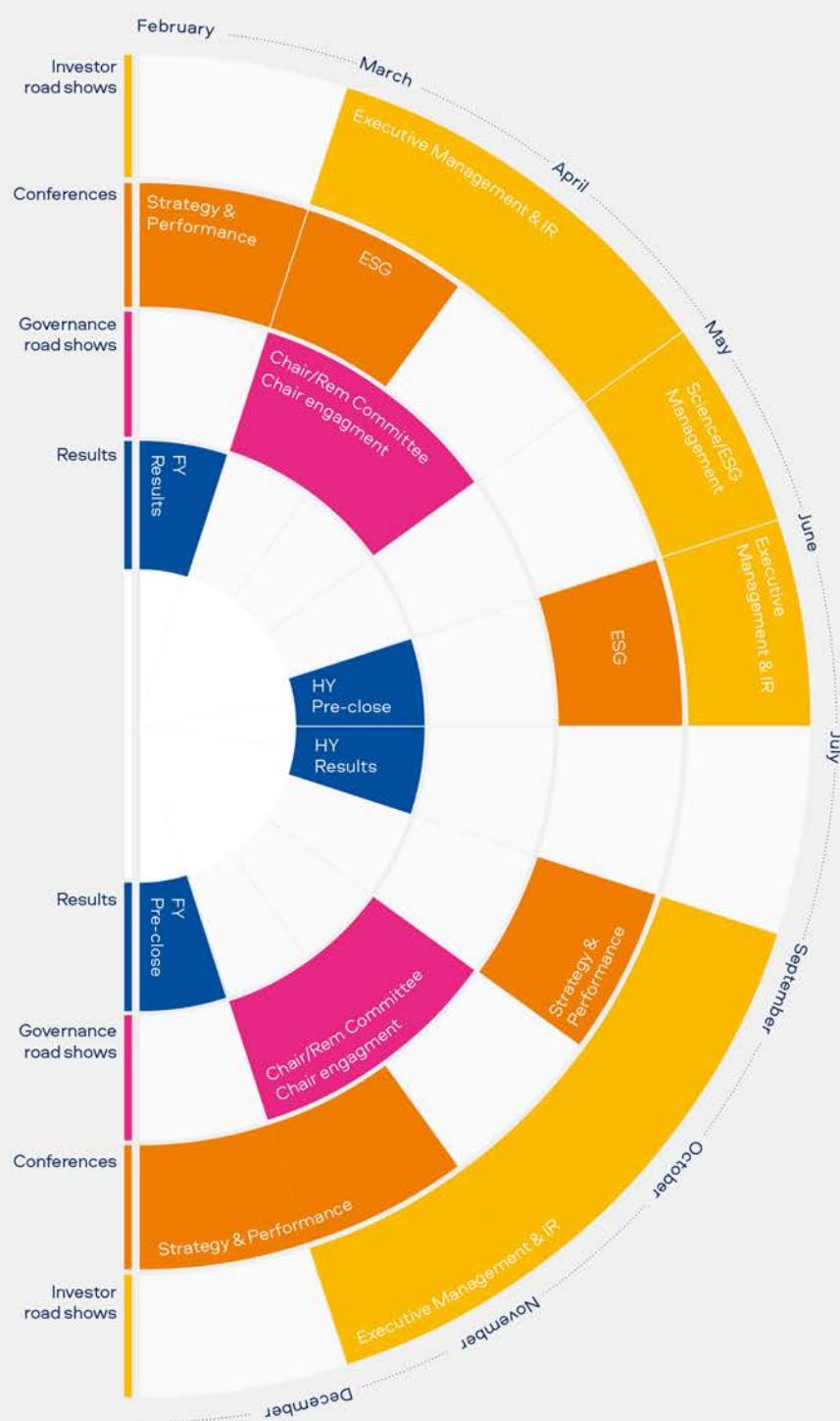
Investor Perception Study

In 2022, we completed an investor perception study, supported by Rivel, an independent external consultancy. This followed a benchmark study conducted in 2019. Our study provided insights on the focus and priorities of our investor base, their views on BAT and how perceptions have changed since 2019. Around 50 interviews were conducted by the consultancy on a confidential basis with a sample of key investors. The study results were peer reviewed on a quantitative basis, using external normative data from similar exercises over the last 5 years across peer organisations.

Results show that significant progress has been made, with perceptions improving across most measures (including management, strategy, capital deployment and communications). Key takeaways for what investors would like to see more of in the future include greater disclosure on New Category performance and further progress on ESG and execution of strategic priorities.



Investor Relations Calendar 2022



How the Board considers shareholder and investor views

The Chair, the Executive Directors and Remuneration Committee Chair regularly update the Board on their dialogue with shareholders and investors. The Board also receives updates from the Head of Investor Relations and our brokers on stock performance and on our shareholders' key issues, perspectives, and expectations.

Shareholder and investor perspectives considered by the Board in 2022 included transformation, New Categories strategy and performance, approach to addressing inflationary pressures, deleveraging, capital allocation, ESG strategy and targets, and key regulatory developments.

®To provide further transparency and insight into the progress being made in building a sustainable New Category business, the category contribution from New Categories is disclosed (see page 329 for the reconciliation from profit from operations) separately for the first time this year to demonstrate our progress towards our target for reaching profitability. ®

The Board takes shareholder feedback into account in decision-making and developing Group strategy. This is discussed further on page 133, including in relation to capital allocation decisions, and on page 159 in relation to executive remuneration.

Annual General Meeting (AGM)

Our AGM is an opportunity for further shareholder engagement, for the Chair to set out progress, and for the Board to answer questions.

Following restrictions on attendance at our 2020 and 2021 AGMs as a result of the UK Government's measures to manage the impact of COVID-19, we were delighted to welcome our shareholders in person to attend our 2022 AGM. Shareholders were also given the opportunity to submit questions about AGM business in advance of the meeting and responses to the queries received were published at bat.com/agm.

All Directors are expected to attend AGMs. All Directors attended our 2022 AGM other than Holly Keller Koeppel due to prior commitments.



For disclosures required by paragraph 7.2.6 of the Disclosure Guidance and Transparency Rules and the UK Companies Act 2006 see [Other Information section](#)

Board Leadership and Purpose

Board Engagement with Stakeholders Continued

Wider Stakeholder Engagement

A broad range of stakeholders are important to the Group at local, regional and functional levels. Key stakeholders are strategically important to our business and essential to our ability to generate long-term, sustainable value. We identify them by applying an established stakeholder engagement framework, which takes into account strategic objectives and risks to the Group. In 2022, the Board's assessment of key stakeholders was further informed by the outcomes of an ESG Double Materiality Assessment (discussed further on pages 46 to 48 and 139).

Our key stakeholders are referenced in our business model on page 18, with an overview of their importance, what matters to them, and how we engage and respond to them on pages 20 to 21.

Transparency of engagement is woven into our Group policies, such as our Standards of Business Conduct and specific frameworks for stakeholder engagement.

The Board conducted a review of key stakeholders in 2022.

This included how engagement is conducted across the Group, stakeholders' perspectives, and how the Board is kept informed of those perspectives where engagement is not at Board level.

Following its review, the Board remains satisfied there is well-established and effective engagement with the Group's key stakeholders, enabling the Board to understand their perspectives. The Board will continue to monitor the ongoing effectiveness of stakeholder engagement.

Where the Board does not engage directly with our stakeholders, it is kept updated by reports from management so Directors maintain an effective understanding of what matters to them and can draw on these perspectives, including in Board decision-making and strategy development.

An overview of how the Board engaged with wider stakeholders and maintained its understanding of their interests during the year is set out below.



Consumers

Our consumers are at the core of everything we do. Consumer-led innovation and product development are central to achieving our purpose of building A Better Tomorrow™.

We believe that our multi-category approach is the most effective way to appeal to the diverse preferences of adult consumers worldwide.

The Board is regularly briefed by the Executive Directors and senior management on product performance across all portfolio categories and how our product innovation is focused on satisfying adult consumer preferences underpinned by consumer insights and foresights.

In 2022, the Board was updated on how consumer insights continuously inform our plans for product development and roll-out, for example understanding how sustainability concepts such as reduced plastics and increased recyclability resonate with consumers and reflecting insights into packaging development; how consumer perceptions on nicotine risks are used to monitor the relevance of information provided to inform consumers about New Categories products; and how the Group has responded to consumer expectations for responsible product marketing.

Through its strategy sessions in 2022, the Board reviewed how we continue to act on the depth of our consumer insights to support innovation in New Category product pipelines and drive a step change in New Categories performance.



Read more about our approach to engaging with consumers
Pages 14 to 21 and 30 to 38



Suppliers

Our relationships with suppliers and contracted farmers are managed day-to-day by the Group's Operations function and at local market level. The Board oversees the Group's supply chain strategies and progress on sustainable agriculture and farmer livelihoods programmes.

In 2022, the Board was regularly updated on the impact of the conflict in Ukraine on our operations and our suppliers, and the business continuity plans developed to avoid supply chain disruption.

The Board reviewed the evolving impact of inflationary pressures on the Group's supply chain network and key drivers, including geopolitical uncertainties and continued COVID-19 impacts.

The Board reviewed our annual Modern Slavery Statement (available at www.bat.com/msa), which reports on our progress to ensure that our operations are free from labour exploitation, and on human rights impact assessments and monitoring programmes conducted in support of this commitment.

The Board also reviewed the annual conflict minerals statement and continuous improvement efforts implemented with our New Categories material suppliers to mitigate supply chain risks.

The Board was updated on the deployment of supplier water and emissions assessments to support efforts to reduce carbon emissions and promote best practice in water stewardship in our supply chain.



Read more about our approach to engaging with suppliers
Pages 20 to 21, 43, 48, 53, 57, and 60 to 65



Customers

Whilst retailer, wholesaler and distributor relationships are managed at local market and business unit levels, the Board is briefed regularly on the global retail environment, promotion of responsible marketing practices and Youth Access Prevention (YAP) controls including in New Categories online channels. In 2022, the Board was also updated on progress in New Categories recycling take back schemes and how increased digitalisation enhances customer engagement through B2B service models.

The Audit Committee reviews the development of the Group's responsible marketing and YAP procedures and approach to embedding these with retail customers across our product portfolios on a regular basis.



Read more about customers and our approach to responsible marketing
Pages 20 to 21 and 64 to 65

Society

As a global organisation, we recognise our responsibility to wider society to reduce the health, environmental and social impacts of our business and seek to play a positive role in debates that shape the regulatory environment in which we operate.

The Board is briefed on scientific engagement with regulators, public health bodies, and scientific communities. In 2022, this included updates on the status of our applications to the FDA relating to our Vapour products and on our contributions to industry and governmental efforts to develop Vapour and Modern Oral product standards in various markets. The Board was also briefed on progress in the Group's clinical studies relating to glo and to nicotine perceptions, on roundtable events attended with public health advocates, such as the Global Forum on Nicotine, and on the work of the External Scientific Panel which enables a discussion forum with scientific and public health experts.

At every regular board meeting, the Board reviews a report from our Legal & External Affairs Director that includes updates on our regulatory engagement and collaborative anti-illicit trade activities. For example, in 2022 these updates covered our engagement on New Categories product regulation, excise, single use plastics and other environmental issues.

The Board considered the Group's range of responses to stakeholder feedback on the environmental impact of our products. Examples included the publication of the Group's first Low-Carbon Transition Plan, detailing the Group's roadmap to reach net zero emissions by 2050.

The Non-Executive Directors regularly attend the Corporate Audit Committee and Regional Audit & CSR Committees, where societal and community perspectives at regional and local levels are discussed. The Audit Committee also reviews feedback from these Committees.

The Audit Committee is regularly updated on our engagement with tax authorities on material Group tax matters, and is briefed annually on our investment in community and charitable initiatives.

 Read more about our engagement with governments and wider society
Pages 20 to 21, 32 to 38, and 42 to 81



UK Companies Act: Business relationships

This section summarises how the Directors have regard to the need to foster business relationships with customers, suppliers and other external stakeholders. Further information is provided on pages 18 to 21. Information regarding the effect of that regard is provided on page 133.

Spotlight

ESG Double Materiality Assessment[^] (DMA)

In 2022, we conducted a DMA with the support of a specialist external consultancy. The assessment spanned both impact and financial materiality and required the Group to examine its impact on society and the environment, and the impact of society and the environment on the sustainability of the Group. The scope of the assessment is discussed further on page 46.

Extensive engagement was conducted as part of the assessment with external and internal stakeholders, summarised below.

>95

Dialogues with key external and internal stakeholders. External stakeholders included investors, suppliers, workforce representative groups, labour unions and Non-Governmental Organisations

>75

Structured interviews with internal stakeholders, including the Chair, Chief Executive, Finance and Transformation Director, several Non-Executive Directors, the Chief Growth Officer and other members of senior management

>2,600

Group company employees participated in a focus survey to provide their perspectives on ESG priorities

Outcomes

The outcomes of the DMA were reviewed by the Board and played an important role in shaping our ESG reporting framework, including more focused definition of ESG metrics, combining all principal components of our ESG reporting into the Annual Report and Form 20-F, and preparing for alignment with future requirements under the EU Corporate Sustainability Reporting Directive.

In view of feedback on our governance structures, the Group appointed its first Chief Sustainability Officer in September 2022. The outcomes also informed the Board's assessment of the Group's key stakeholders and their ESG priorities.

Stages of ESG double materiality Assessment



Note:

[^] Although financial materiality has been considered in the development of our Double Materiality Assessment (DMA), our DMA and any related conclusions as to the materiality of sustainability or ESG matters do not imply that all topics discussed therein are financially material to our business taken as a whole, and such topics may not significantly alter the total mix of information available about our securities

Board Leadership and Purpose

Board Engagement with Stakeholders Continued

☆ Our People

Our people are critical to our success and the Board is committed to having regular and meaningful engagement with our workforce and to taking their perspectives into account in decision-making and strategy development.

The Board keeps up to date with the current views of our workforce through a combination of engagement methods, across multiple channels at different levels of our organisation.

These channels are well-established and include direct engagement through Directors' market and site visits and Executive Director participation in internal webcasts. Indirect engagement is enabled through feedback from town halls, works councils, webcast Q&A, our global Your Voice employee survey, and Speak Up channels.

Given the spread, scale and diversity of the Group's workforce, the Board considers it effective to use this combination of established channels, augmented by structured reporting to the Board twice during the year.

This enables the Board as a whole to understand the perspectives of our workforce received through the full breadth of engagement channels at all levels.

These engagement channels, combined with Group-wide reporting structures to capture workforce feedback, cover all Group company employees and fixed-term contractors undertaking permanent roles. Focus and action areas are reviewed by the Board and fed back to our workforce.

In 2022, Non-Executive Directors participated in several market and site visits, discussed on page 132. The Board reviewed our workforce engagement channels across the Group and the consolidated feedback. The key themes related to continuation of regular updates to employees on transformation, including sustainability and innovation, and continued focus on prioritisation. Examples of initiatives in response to this feedback are discussed further below.

The Board was also briefed on a variety of initiatives to enable a safe and engaging return to our workplaces across the globe, where COVID-19 restriction were relaxed in 2022.

Our Executive Directors led a series of market visits and other in person and virtual forums in 2022 to connect regularly with regional, local and functional teams.

As part of the Directors' site visit to North Carolina in July 2022, Jack Bowles joined an employee town hall with over 1,000 US colleagues and took a range of questions from the audience.

Our Executive Directors also presented in real time on global, functional and market webcasts including discussions and Q&A on our purpose, ethos, strategy, accelerated transformation, performance and business outlook.

Overall, there were 32 market visits or other engagement forums attended by one or more Directors in 2022, comprising 6 in the US, 4 in the Americas and Sub-Saharan Africa region, 5 in the Europe region, 6 in the Asia-Pacific and Middle East region and 11 with central functions.

The Board continues to assess the effectiveness of engagement with our people and how its engagement informs Board decision-making and strategy development.



Karen Guerra and Darrell Thomas on site with colleagues at our R&D laboratories in Southampton, UK

 Read more about our approach to engaging with our people
Pages 88 and 169

2022: Key priorities from workforce feedback and examples of resulting initiatives

Transformation, including sustainability	<ul style="list-style-type: none"> – Sustainability week in July 2022, with live broadcasts available across the Group enabling employees to actively contribute their comments and views. Over 14,000 attendees participated in virtual events covering topics across sustainable operations, diversity, brands with purpose and innovation. – News features explaining QUEST and its role in the Group's transformation, with senior leadership highlighting the building block of each accelerator.
Innovation	<ul style="list-style-type: none"> – Regular news updates on New Categories product launches, innovation, achievements in category leadership and innovation hub development in Italy. – Btomorrow newsletter highlighting venturing and collaborative innovation initiatives and latest investments.
Continued our focus on prioritisation	<ul style="list-style-type: none"> – Full Year and Half Year performance broadcasts by the Chief Executive and Finance and Transformation Director, with live Q&A. – New capabilities training, including focused programmes on global marketing in a digital era and revenue growth management, to promote a continuous learning culture enabled through our online learning platform, The Grid. – Management Board 'Unplugged' virtual broadcasts featuring interviews with Management Board members hosted by employees at different levels of the organisation and Management Board virtual learning 'playlists' on The Grid.

UK Companies Act: Employee engagement

This section summarises the Directors' approach to engaging with the Group's workforce, including employees of UK Group companies, and how the Directors have regard to their interests. Further information is provided on pages 84 to 92 and pages 159 and 167 to 169 in relation to remuneration matters. Further details regarding the effect of that regard are provided on page 131.

Our Approach to Division of Responsibilities

The Board comprises the Non-Executive Chair, two Executive Directors and eight independent Non-Executive Directors.

This section sets out the roles and division of responsibilities between the Chair, Executive Directors and Non-Executive Directors.

Roles and Division of Responsibilities	
Role	Responsibilities
Chair	<ul style="list-style-type: none"> – Leadership of the Board and its overall effectiveness – Promotes constructive debate and effective decision-making – Sets the Board agenda – Facilitates Directors' contributions – Interfaces with shareholders – Ensures effective shareholder engagement – Representational duties on behalf of the Company
Chief Executive	<ul style="list-style-type: none"> – Overall responsibility for Group performance – Leadership of the Group – Enables planning and execution of Group objectives and strategies – Stewardship of Group assets – Drives the cultural tone of the organisation
Finance and Transformation Director	<ul style="list-style-type: none"> – Leadership of the Group in respect of financial matters – Enables planning and execution of Group financial objectives and strategies – Leadership of the design and delivery of the QUEST programme to accelerate delivery of Group strategy – Provision of accurate, timely and clear information to the Board on the Group's financial performance
Senior Independent Director	<ul style="list-style-type: none"> – Leads review of the Chair's performance – Presides at Board meetings in the Chair's absence – Chairs the Nominations Committee when Chair succession considered – Sounding board for the Chair – Intermediary for other Directors – Available to meet with shareholders
Non-Executive Directors	<ul style="list-style-type: none"> – Oversee Group strategy and resource allocation – Monitor Group performance and delivery of Group strategy – Oversee systems of control and risk management – Review management proposals and provide strategic guidance – Scrutinise and hold to account performance against objectives – Bring external judgement, perspective and effective challenge to management



The responsibilities of the Chair, Executive Directors and Senior Independent Directors are available at bat.com/governance

Board Efficacy

Scheduled board meetings during the year were convened in person. Board strategy sessions in October 2022 were held in the US. Feedback from the annual Board evaluation confirmed that board meetings continued to operate well and are considered to be chaired effectively.

The Chair facilitates constructive Board relations, supporting effective contribution from Non-Executive Directors and promoting a culture of openness and debate. The Chair seeks a consensus at Board meetings but, if necessary, decisions are taken by majority decision. If any Director has concerns on any issues that cannot be resolved, such concerns are noted in the Board minutes. No such concerns arose in 2022.

Non-Executive Director meetings

The Non-Executive Directors, led by the Chair, meet following Board meetings on a regular basis. Additional meetings led by the Chair, and without the Executive Directors present, are scheduled in the Board calendar.

The Executive and the Non-Executive Directors also meet annually, led by the Senior Independent Director and without the Chair present, to discuss the Chair's performance.

Independence

The Board considers all Non-Executive Directors to be independent, as they are free from any business or other relationships that could interfere materially with, or appear to affect, their judgement.

Luc Jobin was determined by the Board to be independent on his appointment as Chair, as reported in the Company's Annual Report and Form 20-F for 2020.

The Board has determined Holly Keller Koepfel to be independent, having taken into account her service on the board of Reynolds American Inc. (Reynolds American) as an independent, non-executive director.

Luc and Holly were originally appointed to the Board in 2017 following the acquisition of Reynolds American and pursuant to the Agreement and Plan of Merger with Reynolds American.

The Board has also considered the independence requirements outlined in the NYSE's listing standards and has determined that these are met by the Chair and all the Non-Executive Directors. The Board considers that it includes an appropriate combination of Executive and Non-Executive Directors.

Division of Responsibilities

Directors' Commitment and Board Support

Commitment

Before appointing new Directors, the Board takes into account their other commitments and significant time commitments are disclosed prior to appointment. The letters of appointment for the Chair and Non-Executive Directors set out their expected time commitment to the Company (see page 147).

Any additional external appointments following appointment to the Board require prior approval by the Board in accordance with the UK Corporate Governance Code (the Code).

The Board assesses the significance of any additional external appointment notified by a Director, supported by the Company Secretary. During 2022, the Board considered the following external appointments:

- Sue Farr's appointment as a non-executive director of Lookers plc, a company listed on the London Stock Exchange. This additional appointment was considered by the Board to be significant in accordance with the Code, however the Board concluded that the appointment would not impair Sue's ability to serve as a Non-Executive Director in view of the anticipated time commitment.
- Dimitri Panayotopoulos' appointment as Chair of Airway Therapeutics Inc., a non-listed US company, and Savio Kwan's appointment as an independent non-executive director of GOGOX, a company listed on the Hong Kong Stock Exchange. The Board considered that neither of these additional appointments were significant for the purposes of the Code and concluded that both Dimitri and Savio would continue to be able to meet the commitments expected of them as Non-Executive Directors. Savio has since stepped down as a director of GOGOX and will step down from the Board at the close of the 2023 AGM.

Conflicts of Interests

The Board has formal procedures for managing conflicts of interest. Directors are required to give advance notice of any conflict issues to the Company Secretary. These are considered either at the next Board meeting or, if timing requires, at a meeting of the Board's Conflicts Committee.

Each year, the Board considers afresh all previously authorised situational conflicts. Directors are excluded from the quorum and vote in respect of any matters in which they have an interest.

The Board's authorisation of a potential situational conflict in relation to Darrell Thomas' appointment as a non-executive director of Scotia Holdings (US) Inc. in February 2022 was reported in the Annual Report and Form 20-F for 2021. The Board determined that this appointment did not impact Darrell's independence as a Non-Executive Director.

Directors' Information and Advice

Directors receive effective support to assist them in meeting their responsibilities under the UK Corporate Governance Code and discharging their directors' duties, both individually and collectively:

- Directors receive papers for review in good time ahead of each Board and Committee meeting.
- Papers and presentations to the Board and its Committees include discussion of specific stakeholder considerations as applicable.
- The Company Secretary ensures effective information flow within and between the Board and its Committees, and between the Non-Executive Directors and senior management.

- The Company Secretary, in conjunction with external advisers where appropriate, advises the Board on all governance matters.
- All Directors have access to the advice and services of the Company Secretary. The appointment and replacement of the Company Secretary is a matter for the Board.
- A procedure is in place for all Directors to take independent professional advice at the Company's expense if required.
- Each Board Committee may obtain independent legal or other professional advice, at the Company's expense, and secure attendance at meetings of external participants if needed.

Board Induction

All Directors receive a comprehensive and personalised induction programme on joining the Board, tailored to their skills, experience, background, committee membership and requirements of their role.

Kandy Anand and Véronique Laury completed their Non-Executive Director inductions in 2022, as highlighted below.

Spotlight

Non-Executive Directors' Induction

Kandy Anand and Véronique Laury

Sessions were conducted through virtual and in-person briefings to enable efficient delivery of a comprehensive programme for each of them.

The programme included meetings with the Chair and each of the Directors and a thorough series of briefings with senior management covering Group strategy, business regions, product portfolios, digital transformation, our ethos and culture, ESG agenda, shareholder and wider stakeholder engagement, corporate governance and directors' duties, treasury, risk and evolving legal and regulatory matters.

In preparation for their Committee roles, Kandy's induction also included specific focus on executive remuneration matters and he met with the Remuneration Committee's UK and US consultants.

Véronique's induction also covered accounting and reporting matters in depth and she met with the external audit partner.



Composition, Succession, Evaluation

Board Effectiveness

Professional Development

Non-Executive Directors receive a full programme of briefings during the year across all areas of the Group's activities from the Executive Directors, members of the Management Board, the Company Secretary, other senior executives and outside advisors.

During 2022, key briefings for the Board included the status of rapidly evolving international sanctions during the year and the governance in place to support sanctions compliance.

Briefings were also provided to the Board on developments in product regulation, particularly in the US and Europe, and other regulatory developments impacting the Group's business and governance arrangements, for example, revisions to the UK Listing Rules to introduce new requirements for the disclosure of the diversity of boards and executive management.

The Audit Committee was briefed on key developments in the ESG reporting landscape, including the UK Financial Conduct Authority's guidance on TCFD reporting, and consultations conducted by the US Securities and Exchange Commission (SEC) and the International Sustainability Standards Board on enhanced ESG reporting.

The Remuneration Committee was kept updated by its external consultants on UK and US corporate governance developments impacting executive remuneration and wider workforce remuneration.

Non-Executive Directors regularly attended meetings of the Group's Regional Audit and Corporate and Social Responsibility Committees and Corporate Audit Committee to gain a better understanding of the Group's regions and central functions and the risks faced by the business at market, regional and functional levels.

The Chair met with each Non-Executive Director individually towards the end of the year to discuss their individual training and development plans.

Board Review Process

Annually, the Board undertakes a rigorous review of its effectiveness and performance, and that of its Committees and individual Directors. The Chair is responsible for the overall review process and each Committee Chair is responsible for the review of the performance and effectiveness of their Committee.

An externally-facilitated review of the performance and effectiveness of the Board, its Committees, each of the Directors was conducted in 2022. The review was conducted by Dr Tracy Long of Boardroom Review Limited (Boardroom Review) following a competitive tender process led by the Chair. Dr Long and Boardroom Review have no other connection with the Company, its Directors or the Company Secretary.

The review included a series of interviews conducted by Dr Long individually with each of the Directors, the Company Secretary and several members of senior management. Dr Long observed meetings of the Board and the Audit and Remuneration Committees and Board strategy sessions in October 2022. In addition, Dr Long reviewed corporate governance arrangements and relevant Board and Committee meeting minutes and papers.

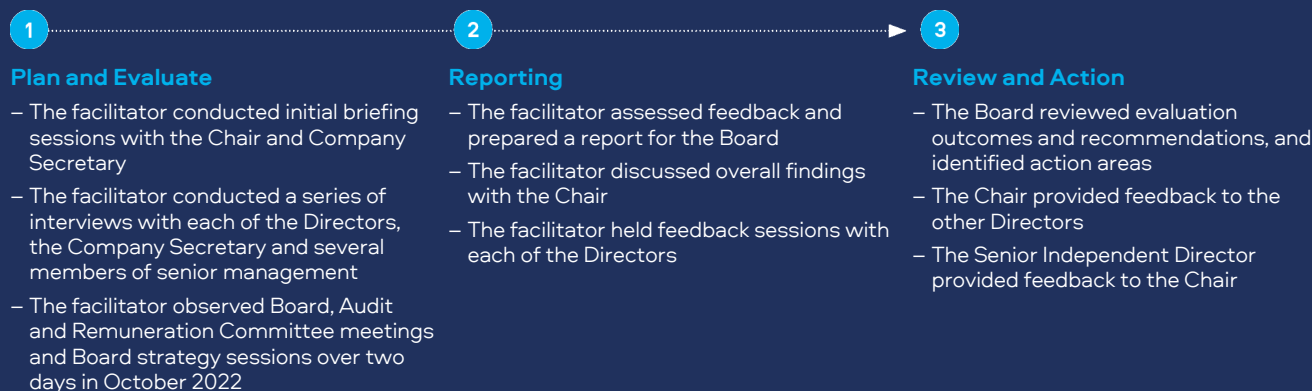
All Directors participated fully in the review in 2022, with the exception of Véronique Laury who joined the Board in September, shortly before the review was conducted. Véronique participated in the Board discussion and feedback sessions.

A report setting out the findings of the review and recommendations for consideration was prepared by Boardroom Review. The Board then reviewed and discussed the report with Dr Long and identified action areas for 2023, taking into account the review findings.

The Chair received feedback from Dr Long on the performance and effectiveness of all Executive and Non-Executive Directors (other than himself). Both the Chair and Dr Long provided individual feedback to each Director.

The Senior Independent Director received feedback from Dr Long on the Chair's performance and effectiveness, and led a discussion reviewing the Chair's effectiveness with the other Directors (without the Chair present). Both the Senior Independent Director and Dr Long provided feedback to the Chair.

2022: Externally facilitated Board review process



Composition, Succession, Evaluation

Board Effectiveness

Continued

2022 Board review

Overview of Outcomes

The outcomes of the review support the overall conclusion that the Board is effective and has a sound working relationship with its Committees.

The Board has diversity of tenure, voice and experience and its relationships are based on positive dynamics. It is recognised that the Board has a shared strategic perspective, is appropriately engaged and focused, and is well informed by the Chair, the Committee Chairs, Chief Executive and Finance and Transformation Director.

The review found the Board's time to be planned effectively, with an appropriate balance of formal and informal meetings enabled through easing of travel restrictions in 2022 (such as informal in person meetings and site visits, in addition to physical board meetings).

Significant attention is given to risk, control and compliance matters and there is increased focus on digital and cyber security, with appropriate oversight provided by Committees.

Committees were noted to be well-chaired, composed and attended, delivering thorough and professional scrutiny on their specific areas of focus. Committee Chairs provide effective and pertinent reporting to the Board.

The review confirmed that the Chair is supported by all Directors, and is respected for his knowledge and experience and his collaborative and open style. The strong, complementary partnership between the Chief Executive and the Finance and Transformation Director is also recognised by the Board.

Non-Executive Directors were noted to have an independent and professional mindset, and a sense of collective responsibility towards providing constructive challenge.

Organisational culture is considered to be an important asset for long-term success. It is perceived to be results-oriented and talent-driven, yet evolving as the pace of transformation remains rapid.

Forward-looking considerations

The review acknowledged that acceleration of the Group's strategic transformation in a challenging external environment would influence the composition, dynamics and work of the Board in the future.

Considerations and recommendations arising from the review aim to help the Board optimise its effectiveness and contribution looking ahead.

Key Actions for 2023

Following the review, the Board plans to implement forward-focused actions across the following four key themes:

Strategy

- Recognising the importance of continued oversight of the transformation strategy, board agenda to maintain focus on strategic discussion and development, with additional emphasis on scenario planning for external challenges, assessment of the competitive environment, and understanding evolving consumer preferences.

Board Leadership and Contribution

- In view of evolving Board composition, continue to develop the depth of relationships between Board members through blended use of the Directors' professional time (formal meetings, site visits and informal engagements).
- Further improve efficiency of information flows between the Board and management in advance of Board and Committee meetings, with consistent application of a strategic emphasis for board papers.
- While the current skill sets of the Board are found to be aligned to corporate strategy, Director succession planning for the longer term to focus on strategic assessment of future requirements to help maintain an effective balance of skills, knowledge and experience. In view of the findings of the review and changes to Board composition implemented during the year, it is not anticipated that the review will have an immediate impact on Board composition.

Risk management

- Continue to develop and test appetite for business risk in the context of accelerated organisational transformation, supported by additional time on the Board agenda for in depth strategic discussion of business risk appetite.
- Support continuous improvement in the Board's understanding and oversight of digital technology and cyber security risks through regular briefings on digital risk topics.
- Maintain the Board's emphasis on robust development of the Group's ESG agenda, including through the Audit Committee's ongoing oversight of the Group's ESG metrics and reporting.

People and Culture

- Enhance focus on long-term executive management succession planning and develop further Management Board and senior management diversity, with emphasis on improving gender diversity.
- In the context of the Group's transformation, continue Board activities to monitor corporate culture and the impact of significant change programmes.

Dr Long of Boardroom Review Limited has reviewed the discussion of the Board review process on pages 143 to 144 and has confirmed that it presents a fair summary of the review process and its outcomes.

Boardroom Review Limited is a signatory to the voluntary UK Code of Practice for Independent Board Reviewers.

Nominations Committee

Nominations Committee current members

Luc Jobin (Chair)

Kandy Anand

Sue Farr

Karen Guerra

Holly Keller Koeppe

Savio Kwan

Véronique Laury

Dimitri Panayotopoulos

Darrell Thomas

Luc Jobin

Chair of the Nominations Committee

Role

As set out in the Terms of Reference, the Nominations Committee is responsible for:

- reviewing the structure, size and composition of the Board and Management Board on a regular basis to ensure both have an appropriate balance of skills, expertise, knowledge and, in relation to the Board, independence;
- reviewing the succession plans for appointments to the Board, the Management Board and Company Secretary to maintain an appropriate balance of skills and experience and to ensure progressive refreshing of both the Board and the Management Board;
- making recommendations to the Board on suitable candidates for appointments to the Board, the Management Board and Company Secretary, ensuring that the procedure for those appointments is rigorous, transparent, objective and merit-based and has regard for diversity;
- assessing the time needed to fulfil the roles of Chair, Senior Independent Director and Non-Executive Director, and ensuring Non-Executive Directors have sufficient time to fulfil their duties;
- overseeing the development of a pipeline of diverse, high-performing potential Executive Directors, Management Board members and other senior managers; and
- implementing the Board Diversity Policy and monitoring progress towards the achievement of its objectives, summarised on page 148.

Key Activities in 2022

- Making recommendations to the Board in respect of Non-Executive Director and Board Committee appointments, including appointment of Kandy Anand as a Non-Executive Director and member of the Remuneration and Nominations Committees and Véronique Laury as a Non-Executive Director and a member of the Audit and Nominations Committees, discussed on page 146.
- Recommending to the Board the appointment of Sue Farr as Senior Independent Director with effect from 1 August 2022.
- Recommending to the Board the appointment of a new Director, Digital & Information, to the Management Board, with effect from 1 April 2022.
- Recommending to the Board the appointment of a new Director, Combustibles, to the Management Board and reviewing plans to restructure the Management Board to align with Quantum Phase 4 strategic objectives.
- Continuing analysis of the profile, skills and experience required of future Non-Executive Directors in the context of the Group's strategy, to support Board succession planning activities.
- Making recommendations to the Board in relation to Directors' annual appointment and re-election at the AGM, discussed further on page 146.
- Reviewing the Executive Directors' and Management Board members' annual performance assessments and assessing development of candidates for Management Board roles.
- Overseeing the Group's diversity and inclusion agenda, its role in promoting an inclusive and high-performing culture as part of the Group's talent strategy, and progress in building diverse talent pipelines and creating enablers across the organisation.

Balance and Diversity

The Board appreciates the benefits of diversity in all of its forms, within its own membership and at all levels across our organisation. Our Non-Executive Directors come from a broad range of industry and professional backgrounds, with varied experience and expertise aligned to the Group's strategy.

Biographies of the Directors, including a summary of their skills, experience and contribution to the Board, are set out on pages 124 to 127 with details of the representation of key diversity attributes on our Board.

Nominations Committee terms of reference

The Committee's terms of reference align with the requirements of the Code. No changes were made to the Committee's terms of reference in 2022.



For the Committee's terms of reference see
www.bat.com/governance

Composition, Succession, Evaluation

Nominations Committee
Continued

Currently three Directors on our Board are from an ethnic minority background (as defined by the UK Office of National Statistics), the representation of women on the Board is 36% and the senior board position of Senior Independent Director is held by Sue Farr.

At the close of the 2023 AGM, it is anticipated that there will be two Directors from an ethnic minority background on the Board and that the representation of women on the Board will increase to 40%. The Board remains committed to enhancing its diversity and the Nominations Committee continues to actively progress Non-Executive Director succession supported by our Board Diversity Policy. Our Board Diversity Policy and its revision in 2022 is discussed on below and on page 148.

Board Diversity Policy Update

A revised Board Diversity Policy was approved by the Board and took effect from 1 November 2022. Details of our revised Board Diversity Policy are on page 148.

Our ethos is at the core of our revised policy and its terms align with the new UK Listing Rules diversity targets for the Board (and associated disclosure requirements for the Board and executive management) applicable to the Company from January 2023.

We voluntarily report Board and executive management diversity data in accordance with the new UK Listing Rules requirements on page 149.

Board Succession Planning

The Board considers the length of service of the Board members as a whole and the need for it to refresh its membership progressively over time.

The Committee is responsible for regularly reviewing the composition of the Board and Management Board to ensure both have an appropriate balance of skills, expertise and knowledge.

The Committee is also responsible for identifying candidates for Board positions and ensuring that all appointments are made on merit, against objective criteria, and with due regard for our Board Diversity Policy.

This process includes a full evaluation of candidates' attributes and how these would augment the Board's mix of skills, expertise and knowledge and involves interviews with a range of candidates.

In 2022, the Committee identified and recommended to the Board the appointment of Kandy Anand and Véronique Laury as Non-Executive Directors. Heidrick & Struggles International¹ supported the selection process leading to Kandy's appointment and Egon Zehnder¹ supported the selection process leading to Véronique's appointment.

The executive search firm supporting each appointment process reviewed the Board's requirements, including for consumer and digital expertise, and developed specific criteria for candidate selection.

Short lists of candidates were presented to the Committee and preferred candidates were interviewed by members of the Board, who reported their feedback on candidates to the Committee. Thorough consideration was given to candidates' skills, experience, diversity of attributes and their fit with the role criteria. The Committee then recommended the preferred candidates to the Board.

Kandy brings marketing and consumer goods expertise, and Véronique brings international consumer products, transformation and digital experience to the Board. Their biographies are set out on pages 125 and 127.

The Committee's approach to succession planning for Executive Directors is set out on page 147.

Annual General Meeting 2023

With the exception of Savio Kwan, the Company will submit all eligible Directors for re-election and, in the case of Véronique, election for the first time.

Prior to making recommendations to the Board in respect of Directors' submissions for re-election, the Committee carried out an assessment of each Director, including their performance, contribution to the long-term sustainable success of the Company and, in respect of each of the Non-Executive Directors, their continued independence (discussed on page 141).

In relation to the proposed reappointment of Sue Farr and Dimitri Panayotopoulos, both of whom will have served as Non-Executive Directors for just over eight years at the time of the 2023 AGM, the Committee conducted a rigorous review, taking into account relevant considerations including their performance and attendance record.

The Committee concluded that Sue and Dimitri each continued to challenge management constructively, make effective use of their experience and maintain independence of thought and approach, and accordingly considered it appropriate to recommend to the Board that both Sue and Dimitri be submitted for re-election at the 2023 AGM.

The Chair's letter accompanying the 2023 AGM Notice confirms that all Non-Executive Directors being proposed for re-election are effective and that they continue to demonstrate commitment to their roles.

Board Retirements

Dr Marion Helmes stepped down from the Board with effect from the conclusion of the Company's AGM on 28 April 2022.

Savio Kwan will step down from the Board with effect from the conclusion of the Company's AGM on 19 April 2023.

Notes:

1. Heidrick & Struggles International, Inc. and Egon Zehnder Limited are independent executive search firms, which apply the Standard and Enhanced Codes of Conduct for Executive Search Firms. Neither firm has any connection with the Company or its Directors other than in respect of the provision of executive search services.
2. Number of meetings in 2022: (a) the Committee held four meetings, two of which were ad hoc; and (b) Sue Farr did not attend the ad hoc meeting in February, which was convened at short notice, due to prior commitments.
3. Membership: (a) all members of the Committee are independent Non-Executive Directors in accordance with UK Corporate Governance Code 2018 Provisions 10 and 17, applicable US federal securities laws and NYSE listing standards; (b) Kandy Anand joined the Committee on appointment to the Board on 14 February 2022; (c) Véronique Laury joined the Committee on appointment to the Board on 19 September 2022; and (d) Marion Helmes ceased to be a member of the Committee on stepping down from the Board at the conclusion of the AGM on 28 April 2022.
4. Other attendees: the Chief Executive, the Director, Talent, Culture & Inclusion, and Group Head of Talent & Organisation Effectiveness regularly attend meetings by invitation but are not members.

Attendance at meetings in 2022^{2(a), 3(a)}

Name	Member since	Meeting attendance ⁴
		Attended/Eligible to attend
Luc Jobin	2017	4/4
Kandy Anand ^{3(b)}	2022	3/3
Sue Farr ^{2(b)}	2015	3/4
Karen Guerra	2020	4/4
Holly Keller Koepfel	2017	4/4
Savio Kwan	2014	4/4
Véronique Laury ^{3(c)}	2022	1/1
Dimitri Panayotopoulos	2015	4/4
Darrell Thomas	2020	4/4
Dr Marion Helmes ^{3(d)}	2016 - 2022	2/2

Terms of Appointment to the Board

Details of the Directors' terms of appointment to the Board and the Company's policy on payments for loss of office are contained in the current Directors' Remuneration Policy, which is set out in full in the Remuneration Report in the Company's Annual Report and Form 20-F for 2021 available on bat.com.

The Executive Directors have rolling one-year contracts. Non-Executive Directors do not have service contracts with the Company but instead have letters of appointment for one year, with an expected time commitment of 25 to 30 days per year.

Executive Succession Planning

As part of the Committee's responsibility to oversee the development of a pipeline of diverse, high-performing senior management, it reviews succession plans and talent pools at short-term, mid-term and long-term time horizons for the Executive Directors, other Management Board members, and certain other members of senior management.

The Committee takes into account the importance of growing an executive talent pipeline reflecting the ambition to increase executive management diversity and to support requirements for transformation, digital and key functional capabilities.

Talent Pipeline Development

The Board regularly reviews talent development more broadly, including progress on our talent strategy to develop an engaged, agile and high-performing organisation through:

- **talent with winning capabilities**, including attracting fit for future talent, development of a compelling employer brand and accelerating digital transformation capabilities;
- **culture and leadership behaviour**, including leaders role modelling our ethos, accelerating leadership capability development and accountable and empowered leadership teams;
- **fostering diversity and inclusion**, through diverse leadership and delivering the Group's bold diversity and inclusion agenda; and
- fit for purpose organisation design, including proactive organisational design effectiveness to enable strategic delivery and continuous focus on accountabilities and efficient ways of working.

Progress against our objective to develop a pipeline of diverse, high-performing senior managers is set out on page 148.

Diversity and Inclusion Agenda

Our talent strategy is underpinned by our diversity and inclusion agenda, which focuses on the core areas of driving ownership and accountability, building diverse talent pipelines and creating enablers.

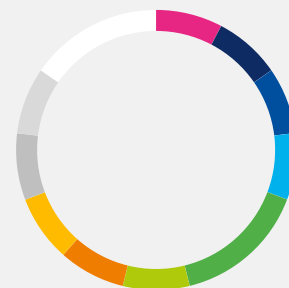
The Board oversees and monitors progress of our diversity and inclusion agenda. In 2022, this included:

- reviewing progress against the Group's diversity and inclusion ambitions through to 2025, including to have women in 40% of senior leadership team roles and 45% of management roles, and a 50% spread of nationalities in key leadership team roles;
- extension of voluntary ethnicity reporting to employees in Australia, Brazil, Canada, Malaysia, South Africa and the U.S., in addition to the UK;
- progress of the Group's Women in Leadership programme, coaching more than 1,000 women managers over nine years;
- UK accreditation as a Level 2 Disability Confident Employer, recognising the measures in place to attract, develop and support colleagues with disabilities and long-term health conditions;
- introduction of a practical allyship guide on disability, integrated into leadership development programmes;
- global roll-out of the 'IGNITE' return to work programme; and
- extension of our participation in Mission Gender Equity, a cross-company mentoring programme focused on building an internal pipeline of female managers, to other markets in addition to the UK, and piloting Mission Include in the UK, a similar cross-company mentoring programme focused on talent from ethnic minority groups.

Our Strategic Report discusses our diversity and inclusion agenda and initiatives further, and provides details on the representation of women and nationalities in our workforce, and in our senior management population, on pages 83 to 91.

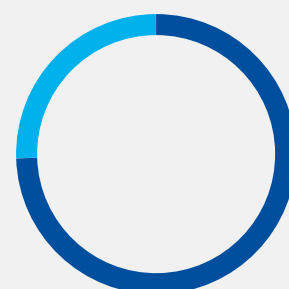
Executive Management Balance as at 31 December 2022

Management Board: Nationality



American	1	French	1
Australian	1	Italian/Argentinian	1
Belgian	1	Korean	1
Brazilian	1	New Zealander	1
British	2	Pakistani	2
Dutch	1		

Senior Management¹ and their direct reports: Gender balance



Male	79	74%
Female	27	26%

Note:

1. Senior Management comprises the Management Board and the Company Secretary, in accordance with the UK Corporate Governance Code.

Management Board ethnicity and gender balance is reported on page 149 as part of our diversity reporting for executive management as at 31 December 2022.

Composition, Succession, Evaluation

Nominations Committee

Continued

Our revised Board Diversity Policy

We are proud to be a diverse global organisation that encourages our people to value their differences.

Our ongoing commitment to fostering a diverse and inclusive culture is underpinned by our ethos: to be Bold, Fast, Empowered, Responsible and Diverse. Our commitment to diversity across BAT is also embedded through our Group Standards of Business Conduct, applicable to all employees of the Group.

Our Board Diversity Policy sets out our approach to diversity applicable to the Board, its Committees¹ and the Management Board². This policy is intended to support the Board, through the activities of its Nominations Committee, in maintaining the effectiveness and balance of the Board, its Committees and the Management Board.

Diversity is a key principle of our ethos and a critical enabler for our strategic objectives, providing better understanding, connectivity and insight to our consumers and our employees. We think of diversity in its widest sense, as those attributes that make each of us unique. These include our race, ethnicity, cultural and social backgrounds, geographical origin, nationality, gender, age, any disability, sexual orientation, religion, skills, experience, education, socio-economic and professional background, perspectives and thinking styles.

We recognise that diversity is a critical component of board effectiveness and we are committed to promoting diversity in the composition of the Board, its Committees and the Management Board.

The Nominations Committee is responsible for regularly reviewing the composition of the Board, its Committees and the Management Board to ensure these have an appropriate balance of skills, expertise, and knowledge, and for ensuring that all appointments are made on merit against objective criteria and with due regard for the benefits of diversity. This includes our Board Diversity Policy objectives set out below.

The Nominations Committee is responsible for implementing this policy and monitoring progress against its objectives. This policy and progress against its objectives is reviewed annually by the Nominations Committee, in addition to other BAT initiatives that promote diversity in all its forms across BAT.

As part of the annual evaluation of the effectiveness of the Board, consideration is given to the balance of experience, skills, knowledge, independence and all attributes of diversity of the Board.

Board Diversity Objectives and Progress Updates

The objectives of our revised Board Diversity Policy and progress against these objectives in the year are set out below.

➔	Considering all aspects of diversity when reviewing the composition of, and succession planning for, the Board, its Committees ¹ and the Management Board ²	The Nominations Committee has regard to diversity in its widest sense, including attributes such as gender, race, ethnicity, cultural and social backgrounds, and other personal attributes referred to in our Board Diversity Policy above, when undertaking these activities.
➔	Considering a wide and gender-balanced pool of candidates for appointment to the Board	Executive search firms are engaged to support Board and Management Board succession planning where applicable and are required to provide gender-balanced shortlists of candidates. Succession planning for Executive Directors and Management Board members takes into account potential internal candidates from across the Group and potential external candidates.
➔	Maintain at least 40% representation of women on the Board ³	The representation of women on the Board was 36% as at 31 December 2022 (2021: 40%). At the close of the 2023 AGM, it is anticipated that women will represent 40% of the Board. The Board is committed to furthering the proportion of women on our Board.
➔	At least one of the following senior positions on the Board to be held by a woman: Chair; Senior Independent Director; Chief Executive; Finance Director ⁴	The role of Senior Independent Director is held by Sue Farr. Sue was appointed as Senior Independent Director with effect from 1 August 2022. Other senior positions on the Board are held by Luc Jobin (Chair); Jack Bowles (Chief Executive); and Tadeu Marroco (Finance & Transformation Director).
➔	At least one Director of a minority ethnic background on the Board ⁵	As at 31 December 2022, there were three Directors on our Board from an ethnic minority background (2021: two). At the close of the 2023 AGM, it is anticipated that there will be two Directors from an ethnic minority background on the Board. The Board complies with the recommendations on ethnic diversity made by the UK Parker Review.
➔	Giving preference, where appropriate, to engagement of executive search firms accredited under the Standard and Enhanced Code of Conduct for Executive Search Firms	Where executive search firms are engaged to provide executive search services to support Board succession planning, preference is given to those that are accredited under the Standard and Enhanced Code of Conduct for Executive Search Firms.
➔	Oversight of the development of a pipeline of diverse, high-performing potential Executive Directors, Management Board Members and other senior managers.	<p>The representation of women on the Management Board was 7.7% as at 31 December 2022 (2021: 15.4%).</p> <p>Management Board succession planning takes into account the ambition to progress towards improved gender diversity.</p> <p>Emphasis is placed on building diverse talent pools at all levels of the organisation through recruiting, developing and retaining diverse and high-performing talent.</p> <p>In 2022, 47% of the Group's external management recruits were women (2021: 47%) and women comprised 57% of our new graduate intake in 2022 (2021: 51%).</p> <p>Further information about the Group's diversity and inclusion agenda is set out on pages 83 to 91.</p>

Notes to Board Diversity Policy Objectives:

1. The principal committees of the Board comprise the Audit, Remuneration and Nominations Committees.
2. The Management Board is the executive level committee of the Group.
3. Enhanced objective introduced under revised Board Diversity Policy from 1 November 2022 (previous objective to maintain at least 30% female Board representation, with the ambition of progressing towards further gender diversity).
4. New objective introduced under revised Board Diversity Policy from 1 November 2022.
5. New objective introduced under revised Board Diversity Policy from 1 November 2022, applying UK Office for National Statistics ethnicity categories of: Asian; Black; Mixed/Multiple Ethnic Groups; Other Non-White Ethnic Group, in alignment with the UK Listing Rules.

Reporting in alignment with new UK Listing Rules provisions on diversity and inclusion

We voluntarily report our Board and executive management diversity data as at 31 December 2022 in accordance with the new UK Listing Rules disclosure requirements and our progress in meeting the new UK Listing Rules board diversity targets.

As at 31 December 2022, one of the four senior positions on the Board was held by a woman, Board composition included three Directors from an ethnic minority background and the representation of women on the Board was 36% (this remains the case as at the date of this Annual Report and Form 20-F).

The Board recognises that the representation of women on the Board does not currently meet the UK Listing Rules target of 40%, however, it is anticipated that the representation of women on the Board will increase to 40% at the close of the 2023 AGM (following Savio Kwan stepping down from the Board). The Board is committed to continued enhancement of its diversity, supported by the succession planning activities conducted by the Nominations Committee, discussed on pages 145 to 148.

Gender Representation: Board & Executive Management as at 31 December 2022

	Number of Board members	Percentage of the Board	Number of senior positions on the Board (CEO, CFO, SID and Chair)	Number in executive management ¹	Percentage of executive management ¹
Men	7	64 %	3	13	93 %
Women	4	36 %	1	1	7 %
Other categories	0	—	0	0	—
Not specified/prefer not to say	0	—	0	0	—

Ethnic Background: Board & Executive Management as at 31 December 2022

	Number of Board members	Percentage of the Board	Number of senior positions on the Board (CEO, CFO, SID and Chair)	Number in executive management ¹	Percentage of executive management ¹
White British or other White (including minority-white groups)	8	73 %	4	11	79 %
Mixed/Multiple Ethnic Groups	—	—	—	—	—
Asian/Asian British	1	9 %	—	2	14 %
Black/African/Caribbean/Black British	1	9 %	—	—	—
Other ethnic group, including Arab	1	9 %	—	1	7 %
Not specified/prefer not to say	—	—	—	—	—

1. Executive management includes the Management Board (most senior executive body below the Board) and the Company Secretary, excluding administrative and support staff, as defined by the UK Listing Rules.

Approach to data collection

Gender and ethnicity data relating to the Board, Management Board and Company Secretary is collected on an annual basis applying a standardised process managed by the Company Secretary.

Each Board member, Management Board member and the Company Secretary is requested to complete a standard form questionnaire on a strictly confidential and voluntary basis, through which the individual self-reports their ethnicity and gender identity (or specifies they do not wish to report such data).

The criteria of the standard form questionnaire are fully aligned to the definitions specified in the UK Listing Rules, with individuals requested to specify:

(1) Self-reported gender identity. Selection from [a] male; [b] female; [c] other category/please specify; [d] not specified (due to local data privacy laws); or [e] prefer not to say.

(2) Self-reported ethnic background (classifications as designated by the UK Office of National Statistics). Selection from: [a] White British or other White; [b] Mixed or Multiple Ethnic Groups; [c] Asian or Asian British; [d] Black; [e] Other Ethnic Group/please specify [f] not specified (due to local data privacy laws); or [g] prefer not to say.

(3) Consent is provided for data collection and processing of that data in accordance with the applicable privacy notice set out in the questionnaire and in accordance with the Group Data Privacy Procedure.

This approach to data collection is consistently applied across all members of the Board, Management Board and Company Secretary in relation to the collection and reporting of their gender and ethnicity data in this Annual Report and Form 20-F.

Audit, Risk, Internal Control

Audit Committee



Our oversight of ESG reporting takes account of developing regulation and both shareholder and wider stakeholder expectations.

Holly Keller Koeppel
Audit Committee Chair

Audit Committee Current Members

Holly Keller Koeppel (Chair)

Karen Guerra

Véronique Laury

Darrell Thomas

Introduction

On behalf of the Audit Committee, I am pleased to introduce our report for 2022 setting out the Committee's role and reviewing our activities during the year.

We welcomed Véronique Laury to the Committee in September. Her experience in digital and business transformation aligns well with the Committee's evolving oversight in these areas.

We met six times in the year, including a meeting in May convened for an initial assessment of a series of complex accounting matters following the decision to transfer the Group's business in Russia. In view of the unstable local environment and international sanctions introduced, the Committee has maintained a high degree of engagement with management and our external auditors to evaluate and respond to the rapid pace of developments in the year.

Our ESG reporting framework has been another focus area for the Committee. Our oversight of ESG reporting takes account of developing regulation and both shareholder and wider stakeholder expectations. Following a Double Materiality Assessment conducted in 2022, the Committee reviewed its outcomes and analysis of our reporting environment.

This led us to sharpen the definition of the Group's ESG metrics and the Committee oversees external assurance activities for reporting against them. All principal components of our ESG reporting are now drawn together in this Annual Report and Form 20-F.

The Committee closely examined a range of key risk areas through the year, maintaining our commitment to safeguarding a sound risk and control environment. Our 2022 agenda emphasised digital infrastructure and cyber security, critical business change initiatives such as Quantum and the Group's response to climate change, to ensure robust processes are in place to identify, assess and manage risks. We monitored progress on the internal audit plan during the year and approved the 2023 plan, which has been mapped against the Group's risk register and designed to respond to emerging risks.

Looking ahead, we have commenced planning activities for an external audit tender in respect of the 2025 financial year. The Committee will lead a rigorous and objective tender process that we expect to conclude in 2023, giving adequate time for an orderly handover of our complex and geographically diverse audit footprint should that be the outcome of the process.

Role

As set out in its terms of reference, the Audit Committee monitors and reviews:

- integrity of the Group's financial statements and any formal announcements relating to the Company's performance, considering any significant financial reporting issues, significant judgements and estimates reflected in them, before their submission to the Board;
- consistency of the Group's accounting policies;
- effectiveness of, and makes recommendations to the Board on, the Group's accounting, financial controls, auditing matters and business risk management systems;
- effectiveness of the Group's internal audit function;
- independence, performance, effectiveness and objectivity of the Company's external auditors, makes recommendations to the Board as to their reappointment (or for a tender of audit services where appropriate), and approves their terms of engagement and the level of audit, audit-related and non-audit fees; and
- assurance activities conducted by the external assurance provider in relation to Group ESG reporting and scope of assurance activities, makes recommendations for their appointment, and approves their terms of engagement and fees.

Audit Committee terms of reference

The Committee's terms of reference align with the requirements of the Code. No changes were made to the Committee's terms of reference in 2022.



For the Committee's terms of reference see
www.bat.com/governance



Key Activities in 2022

Regular work programme includes reviewing:

- the Group's annual results, half-year results, the application of accounting standards, and the external auditors' reports where results are audited;
- the Group's external auditors' year-end audit, including the key audit matters, critical audit matters, assessments of materiality and the Group's control environment, and confirming the independence of the Group's external auditors;
- the basis of preparation and accounting judgements;
- adjusting items, applicable accounting treatments and the use of alternative performance measures;
- the annual assessment of goodwill and intangibles impairment;
- the steps taken to validate the Group's 'going concern' assessment at half-year and year-end and agreeing on the process and steps taken to determine the Group's viability statement at year-end;
- the Group's liquidity position, including current facilities and financing needs;
- the accounting applicable to post-employment benefits liabilities and assets;
- the internal processes followed for the preparation of the Annual Report and Form 20-F and confirming that the processes appropriately facilitated the preparation of an Annual Report and Form 20-F that is 'fair, balanced and understandable';
- the Group's risk register, including prioritisation and categorisation of Group risks, relevant mitigating factors and emerging risks to the Group;
- oversight of management's activities to ensure ongoing compliance with the US Sarbanes-Oxley Act of 2002 (SOx) (discussed on pages 157 to 158);
- the Company's status as a Foreign Private Issuer for the purposes of US securities laws;
- regular reports from the Group Head of Internal Audit on the internal audits of markets, business units, processes, operations and major change initiatives, management responses to internal audit findings and action plans put in place to address any issues raised;
- progress against the 2022 plan and design of the 2023 internal audit plan;
- annual and interim reports on the Group's Delivery with Integrity compliance programme (discussed on pages 66 to 67), monitoring compliance with the SoBC, and monitoring SoBC incident reporting and the effectiveness of Speak Up channels prior to review by the Board;
- the Group's ESG performance on an annual basis, including performance against the Group's ESG targets, the Group's responsible marketing and youth access prevention activities, and the Group's community investment activities under the Group's Community Investment Framework (discussed on page 45);
- external assurance activities conducted in respect of defined ESG metrics and related information conducted by the external assurance provider and assessing the outcome of assurance with the external provider;
- the outcomes of human rights assessments of countries in which Group companies operate that are identified to have a higher degree of exposure to human rights risks in 2022, including local compliance with Group policies, standards and controls and local measures in place to enhance human rights risk management;
- periodic reports from the Group's Corporate Audit Committee and Regional Audit and Corporate Social Responsibility Committees;
- the annual report from the Group Head of Security on security risks, losses and fraud arising during the preceding year;
- half-year and year-end reports on the Group's political contributions (discussed on page 158); and
- the Committee's effectiveness, following the annual evaluation of the Committee.

Attendance at meetings in 2022¹

Name	Member since	Meeting attendance ^{3,4}
		Attended/Eligible to attend
Holly Keller Koeppel ^{2(a),(b)}	2017	6/6
Karen Guerra ^{2(a)}	2021	6/6
Véronique Laury ^{2(a),(c)}	2022	2/2
Darrell Thomas ^{2(a),(b)}	2020	6/6

Notes:

- Meetings: the Committee held six meetings in 2022. Five meetings of the Committee are scheduled for 2023. Additional meetings are convened on an ad hoc basis as required during the year.
- Membership: (a) all members of the Committee are independent Non-Executive Directors in accordance with the UK Corporate Governance Code 2018 Provisions 10 and 24 and applicable US federal securities laws and NYSE listing standards. The Board has determined each Committee member to meet the financial literacy requirements applicable under NYSE listing standards. Each member of the Committee has recent and relevant financial experience in accordance with the UK Corporate Governance Code 2018. The Committee members as a whole have competence relevant to the sectors the Group operates in; (b) Holly Keller Koeppel and Darrell Thomas are each designated as an audit committee financial expert in accordance with applicable US federal securities laws and NYSE listing standards; (c) Véronique Laury became a Committee member on 19 September 2022 on her appointment to the Board.
- The Finance and Transformation Director attends all Committee meetings but is not a member. Other Directors may attend by invitation. The Director, Legal & External Affairs and General Counsel, the Group Head of Internal Audit and the external auditors attend all meetings.
- The Committee meets alone with the external auditors, and, separately with the Group Head of Internal Audit, at the end of every Committee meeting. The Committee also meets periodically with management.

Audit, Risk, Internal Control

Audit Committee Continued

Further specific matters considered by the Committee in relation to the financial statements:

– **approach to disclosure of New Categories Contribution metric:** the Committee reviewed the approach to disclosure of the new key performance indicator, New Categories Contribution, and determined its presentation as a non-GAAP measure and its reconciliation from the IFRS Profit from Operations measure to be appropriate >> within the Remuneration Report and related non-GAAP metrics discussion >>. The Committee concluded that such disclosure would not constitute a change in segmental reporting in accordance with IFRS 8 (*Operating Segments*) (see note 2 in the Notes on the Accounts).

– **share buyback programme 2022:** the Committee monitored the status of the Company's share buyback programme launched in February 2022.

– **Euro Hybrid Bond issuance:** the Committee reviewed the accounting treatment applicable to the Group's hybrid bond issuance programme and determined its continued classification as equity in accordance with IAS 32 (*Financial Instruments*) to be appropriate.

Significant accounting judgements and estimates considered by the Committee in relation to the 2022 financial statements:

The significant accounting judgements and estimates considered in relation to the financial statements for the year ended 31 December 2022 are summarised below.

– **the Group's significant tax exposures:** the Committee reviewed updates on corporate tax matters and reports from the Group Head of Tax on the status of the Franked Investment Income Group Litigation Order (FILO) and issues in various markets, including tax disputes in the Netherlands. The Committee concurred with management's assessments and disclosures in respect of these (see note 31 in the Notes on the Accounts);

– **contingent liabilities, provisions and deposits in connection with ongoing litigation:**

Imperial Tobacco Canada (ITCAN): the Committee continued to monitor the status of the ongoing Canadian Companies' Creditors Arrangement Act (CCAA) proceedings under which Group subsidiary ITCAN filed for protection in 2019 following the judgment of the Quebec Court of Appeal in the Quebec Class Action lawsuits, with stays currently in place until March 2023. The Committee also reassessed the accounting treatment in respect of other ongoing tobacco-related litigation to which ITCAN is a defendant and confirmed that it continued to be appropriate to make no provision in respect of that litigation, as it is not possible to reasonably estimate the amount of any potential settlement (see note 31 in the Notes on the Accounts) and that, whilst ITCAN is subject to the CCAA proceedings, it continued to be appropriate to consolidate ITCAN's financial results in the Group financial statements;

Fox and Kalamazoo Rivers: the Committee reassessed the provision in respect of the Fox River clean-up costs and related legal expenses and confirmed that the provision would continue to be retained at the prior year level, although inherent uncertainties remain (see note 24 in the Notes on the Accounts). The Committee reviewed the position in respect of the Kalamazoo River claim and assessed that no provision should be recognised on the basis set out at note 31 in the Notes on the Accounts;

Reynolds American Companies: the Committee endorsed management's approach to accounting for the Master Settlement Agreement and the Engle class-action and progeny cases as consistent with the prior year (see note 31 in the Notes on the Accounts);

DOJ/OFAC investigation: the Committee assessed and endorsed management's recognition of a provision in respect of investigations by the DOJ and OFAC, noting that uncertainty remains as to the final timing and value of any future outcome (see note 31 in the Notes on the Accounts);

– **income and receivable related to VAT on social contributions in Brazil:** the Committee reassessed the accounting treatment applicable to claims made by a Group subsidiary in Brazil related to the calculation of VAT on social contributions made in Brazil, including in relation to the sale of tranches of the potential claim and recognition of a receivable following the culmination of the legal process (see note 17 in the Notes on the Accounts);

– **changes in the Group - transfer of the Group's businesses in Russia and Belarus:** the Committee assessed the accounting treatment applicable to the anticipated transfer of the Group's businesses in Russia and Belarus, including the classification of those businesses as 'held-for-sale' prior to transfer, the basis for their anticipated deconsolidation from the Group financial statements on transfer and the recognition of impairment charges and associated costs as a non-cash adjusting item (see note 6(j) in the Notes on the Accounts);

– **foreign exchange and hyperinflation:** as the Group has operations in certain jurisdictions with severe currency restrictions where foreign currency is not readily available, including in hyperinflationary territories such as Venezuela, the Committee assessed management's approach to applicable accounting treatment and confirmed that methodologies used to determine relevant exchange rates for accounting purposes were appropriate (see note 1 in the Notes on the Accounts);

– **goodwill and intangibles impairment review:** the Committee reviewed management's assessments of the carrying value of intangibles including goodwill (see note 12 in the Notes on the Accounts), with particular focus on:

US Business: the Committee considered evolving US regulatory proposals in relation to menthol in cigarettes and, following assessment, concluded that no impairment was required for US business goodwill or intangible assets, while noting the disclosure of possible impairments under IAS 36 (*Impairment of Assets*). The Committee also endorsed management's view that retaining indefinite-life designation for the Newport and Camel brand intangibles continued to be appropriate;

Imperial Tobacco Canada (ITCAN): the Committee assessed that, notwithstanding ongoing proceedings (including the CCAA process) in respect of Group subsidiary ITCAN, there was no indication of impairment to goodwill;

– **associates and joint ventures review:** the Committee concurred with management's assessment that it was appropriate to recognise an impairment against the carrying value of the Group's investment in Organigram Holdings Inc. as a result of a reduction in its market capitalisation;

– **adjusting items:** the Committee conducted a rigorous assessment of all adjusting items, including the appropriate application of adjusting items treatment to Quantum programme implementation costs (such as multiple market exits and the planned factory closure in the U.S., Singapore and Switzerland) (see note 7 in the Notes on the Accounts).

Risk topics considered by the Committee included:

- climate change risks and their impact on the Group, to ensure robust processes are in place to manage both physical and transitional climate change risks, and annual reporting on the identification, assessment and management of those risks, in alignment with the TCFD framework;
- risks related to ESG and the approach to incorporating ESG risks into existing risks managed under the Group's risk register, to ensure appropriate internal standards, strategic plans, governance, monitoring and reporting mechanisms are in place to align with recognised international standards, meet external expectations and identify emerging issues;
- current and emerging risks in relation to the Group's digital strategy and technology architecture and data management, with particular focus on digital transformation, cyber security, protection of the Group's information systems and data, and the approach to managing those risks;
- revisions to the Group's risk appetite framework as it relates to the Group's strategic objectives, and review of emerging risks to the Group twice per year prior to Board assessment;
- the report on the effectiveness of the Company's risk management system;
- risks associated with continued exposure to interest rate changes on net finance costs arising from existing, new and refinanced debt and restricted cash in the Group; and
- Group anti-bribery and anti-corruption, sanctions and supply chain controls and compliance programme.



For further information please refer to the Group Principal Risks on [pages 116 to 121](#) and the Group risk factors on [pages 341 to 361](#)

External Auditors

The Committee, on behalf of the Board, is responsible for the relationship with the external auditors.

KPMG LLP (KPMG) were appointed as the Company's auditors with effect from 23 March 2015, following a competitive tender process carried out in 2015.

KPMG reports to the Committee in depth on the scope and outcomes of the annual audit, including their procedures in relation to internal controls over financial reporting. The Committee reviews and discusses the external audit plan and the external auditors' assessments of management's proposed treatment of significant transactions and accounting judgements. During the year, the Committee also met independently with the external audit partner after every Committee meeting.

Outside of Committee meetings, the Committee Chair, the Finance and Transformation Director, the Director, Legal & External Affairs and General Counsel, the Group Head of Internal Audit and the Company Secretary all meet with the external auditors regularly throughout the year to discuss relevant issues as well as the progress of the external audit. Any significant issues are included on the Committee's agenda.

External auditor effectiveness

The Committee carries out an annual assessment of the external auditors, covering qualification, expertise and resources, objectivity and independence, and the quality and effectiveness of the audit process. This assessment takes into account the Committee's interactions with, and observations of, the external auditors and considers a range of factors, including:

- experience and expertise of the external auditors in their direct communication with the Committee;
- their mindset, professional scepticism and approach to challenging management's assumptions where necessary;
- their effectiveness and efficiency in completing the agreed external audit plan;
- their approach to handling significant audit and accounting judgements;
- content, quality and robustness of the external auditors' reports;
- their provision of non-audit services, as referenced below, and other matters that may impact independence; and
- relevant reviews and reports issued by external regulatory bodies including the UK Financial Reporting Council and the US Public Company Accounting Oversight Board.

The Committee's assessment is also informed by an external audit satisfaction survey completed by members of the Group's senior management to obtain their perspectives on the effectiveness and quality of the external auditors' work. No material issues were identified during the external auditor effectiveness review in 2022. Certain opportunities for improvement were identified, which have been discussed between the external auditors and management and taken into account for planning for the following annual audit.

The Committee is satisfied with the qualification, expertise and resources of its external auditors, that they have demonstrated an appropriate degree of professional scepticism and that the objectivity and independence of its external auditors are not in any way impaired by the non-audit services which they provide.

The Committee has recommended to the Board the proposed reappointment of KPMG at the 2023 AGM.

External auditor tender

The Committee continually reviews its relationship with the external auditors, including consideration as to when it next intends to complete a competitive tender process for the external audit, taking into account its assessment of external auditor effectiveness.

As the Committee considers the relationship with the external auditors to continue to work well and the Committee remains satisfied with the external auditors' effectiveness, and having considered the continued independence and objectivity of the auditors, the Committee considers it to be in the best interests of the Company's shareholders for KPMG to remain as auditors for the following financial year. The Committee will continue to monitor this, taking into account the effectiveness and independence of the auditors and the best interests of shareholders.

Audit, Risk, Internal Control

Audit Committee Continued

As set out in the Company's FY 2022 Preliminary Announcement, the Committee has commenced planning for an audit tender process to be conducted in 2023 in respect of the audit for the 2025 financial year, in compliance with applicable regulations. The timetable for the external audit tender process is designed to permit time to plan for the transition of any non-audit services if there is a change of auditor and to enable any new auditor to fully prepare to assume responsibility for a complex and international audit across the Group.

The audit tender process will be overseen by the Committee and is expected to conclude later in 2023. It is intended that a resolution proposing the appointment of the selected auditor would be put to shareholders at the 2025 Annual General Meeting.

UK Competition and Markets Authority Audit Order

The Company has complied with the Statutory Audit Services Order issued by the UK Competition and Markets Authority for the financial year ended 31 December 2022.

Audit Partner Rotation

The tenure of the current external audit partner, Mr Philip Smart, commenced from the start of the 2021 year-end audit. Audit Partner rotation is implemented in accordance with the requirements of the UK Financial Reporting Council (FRC) Ethical Standard and the SEC independence rules on partner rotation.

Group Auditor Independence Policy (AIP)

The Group has an established AIP, reflecting the requirements of applicable laws, to safeguard the independence and objectivity of the Group's external auditors and to specify the approval processes for the engagement of the Group's external auditors to provide audit, audit-related and other non-audit services.

The key principle of the AIP is that the Group's external auditors may only be engaged to provide services in cases where the provision of those services does not impair auditor independence and objectivity.

The Committee recognises that using the external auditors to provide services can be beneficial given their detailed knowledge of our business. However, the AIP does not permit the Committee to delegate its responsibilities to the external auditors and the external auditors are only permitted to provide audit, audit-related and non-audit services in accordance with the AIP.

The AIP does not permit the external auditors to maintain a financial, employment or business relationship with any Group company, or provide services to any Group company, which:

- creates a mutual or conflicting interest with any Group company;
- places the external auditors in the position of auditing their own work;
- results in the external auditors acting as a manager or employee of any Group company; or
- places the external auditor in the position of advocate for any Group company.

Audit services are approved in advance by the Committee on the basis of an annual engagement letter and the scope of audit services is agreed by the Committee with the external auditors.

Subject to the restrictions specified in the AIP, the external auditors may also provide certain non-audit services with the prior approval of the Committee. The requirement for the Committee's pre-approval of non-audit services may be waived only if the aggregate amount of all non-audit services provided is less than 5% of the total amount paid to the external auditors during the reporting year, where those services were not recognised to be non-audit services at the time of engagement, and provided those services are promptly brought to the attention of the Committee and their provision is approved prior to completion of the audit in the relevant reporting year.

The provision of permitted non-audit services must be put to tender if expected spend exceeds limits specified in the AIP, unless a waiver of this requirement, in accordance with the terms of the AIP, is agreed by the Finance and Transformation Director and notified to the Committee.

The AIP:

- requires Committee pre-approval for all audit, audit-related and other non-audit services, except in respect of non-audit services falling within the exceptions described above;
- prohibits the provision of certain types of services by the external auditors, including those with contingent fee arrangements, expert services unrelated to audit and other services prohibited by US securities laws and the Public Company Accounting Oversight Board;
- prohibits the Chief Executive, Finance and Transformation Director, Group Financial Controller and Group Chief Accountant (or any person serving in an equivalent position) from having been employed by the external auditors in any capacity in connection with the Group audit for two years before initiation of an audit;
- specifies requirements in respect of audit partner rotation, including for both the lead and the concurring external audit partners to rotate off the Group audit engagement at least every five years, and not to recommence provision of audit or audit-related services to the Group for a further five years; and
- provides authority for the Committee to oversee any allegations of improper influence, coercion, manipulation or purposeful misleading in connection with any external audit, and to review any issues arising in the course of engagement with the external auditors.

External audit fees

The Committee reviews a schedule identifying the total fees for all audit and audit-related services, tax services and other non-audit services expected to be undertaken by the external auditors in the following year. Tax services and other non-audit services in excess of the tender thresholds referred to above must be itemised.

Updated schedules are also submitted to the Committee at mid-year and year-end, so that it has full visibility of the Group spend on services provided by the Group's external auditors.

A breakdown of audit, audit-related, tax and other non-audit fees paid to KPMG firms and associates in 2022 is provided in note 6(k) in the Notes on the Accounts and is summarised as follows:

Services provided by KPMG and associates 2022		
	2022 £m	2021 £m
Audit services	20.4	18.2
Audit of defined benefit schemes	0.2	0.4
Audit-related assurance services	7.1	8.0
Total audit and audit-related services	27.7	26.6
Other assurance services	0.9	0.3
Tax advisory services	—	—
Tax compliance	—	—
Other non-audit services	—	—
Total non-audit services	0.9	0.3

Note: In 2022, non-audit fees paid to KPMG amounted to 3.2% of the audit and audit-related assurance fees paid to them (2021: 1.1%). All audit and non-audit services provided by the external auditors in 2022 were pre-approved by the Committee. The Committee noted that KPMG identified that three member firms have provided preparation of local GAAP financial statement services and that one member firm has additionally provided language translation services for residual out of scope components. The Committee concurred with KPMG's assessment that their integrity and objectivity as auditor has not been compromised and that an objective, reasonable and informed third party would conclude that the provision of these services would not impair KPMG's integrity or objectivity.

Risk Management and Internal Control Overview

The Company maintains its system of risk management and internal control with a view to safeguarding shareholders' investment and the Company's assets. It is designed to identify, evaluate and manage risks that may impede the Company's objectives. It cannot, and is not designed to, eliminate them entirely. The system therefore provides a reasonable, not absolute, assurance against material misstatement or loss. A description of the principal risks that may affect the Group's business is provided in our Strategic Report on pages 116 to 121.

The main features of the risk management processes and system of internal control operated within the Group are described below. These have been in place throughout the year under review and remain in place to date. These do not cover associates of the Group.

Risk management

Risk registers, based on a standardised methodology, are used at Group, functional, directly-reporting business unit (DRBU) and individual market levels to identify, assess and monitor the risks (both financial and non-financial) faced by the business at each level. Risks are assessed and prioritised at three levels by reference to their residual impact (high/medium/low) and likelihood (probable/possible/unlikely). Mitigation plans are required to be in place to manage the risks identified, and progress against those plans is monitored. The risk registers are reviewed on a regular basis.

The SAP Enterprise Risk Management module is used across the Group to record and track risk management activity. This system is subject to ongoing management review to identify opportunities for increased efficiency and effectiveness.

Functional and regional risk registers are reviewed biannually by the relevant Regional Audit and CSR Committee or the Corporate Audit Committee, as appropriate. DRBU risk registers are reviewed as part of DRBU Risk and Controls meetings. At the Group level, specific responsibility for managing each identified risk is allocated to a member of the Management Board.

The Group risk register is reviewed twice yearly by the Group Risk Management Committee, a committee of senior managers chaired by the Finance and Transformation Director. In addition, it is reviewed annually by the Board and twice yearly by the Committee. The Board and the Committee review changes in the status of identified risks and assess the changes in impact and likelihood. Any delayed mitigations are also presented to the Committee. In addition, the Committee conducts detailed reviews on selected risks, meeting senior managers responsible for managing and mitigating them, so that it can consider those risks at a more granular level.

Board oversight

During the year, the Board considered the nature and extent of Group risks (irrespective of their impact or likelihood) which are material to the Group and the delivery of its strategic objectives (its 'risk appetite'), and the Group's framework for maintaining sound risk management and internal control systems.

As part of the Board's assessment of risks faced by the Group, the Board considered the material climate-related risks and opportunities discussed in the context of our TCFD reporting on pages 70 to 80 and other climate-related risks to the Group. As at 31 December 2022, the Group has identified Climate and Circularity as a principal risk to the Group, recognising the Group's existing commitments in relation to climate change and circular economy matters and mitigation of associated risks.

Risk appetite is reviewed annually by the Board to ensure that it is appropriate. Alongside a robust assessment of the principal risks and uncertainties facing the Group (including those that would threaten its business model, future performance, solvency, liquidity and viability), the Board also considers emerging risks which may challenge the Group's ability to achieve its strategic objectives in the future. Each emerging risk is assessed by the Board on its potential impact and likelihood and, where applicable, incorporated into the Group's risk register with appropriate mitigating activities. Emerging risks are kept under regular review by the Committee, prior to Board assessment.

The ongoing conflict in Ukraine continues to represent a very complex, fast-moving and volatile situation. The primary focus of the Group remains the safety and wellbeing of Group company employees. The Board maintains close oversight of the Group's response to critical external uncertainties that have arisen during the year, including the impact of the ongoing conflict in Ukraine. Risks are actively assessed and mitigated at Group, functional, DRBU and market levels, in compliance with international sanctions. These uncertainties, taken together with inflationary pressures and rising interest rates, present a challenging external environment for the Group. Liquidity (access to cash and sources of finance) is essential to maintaining the Group as a going concern in the short-term (liquidity) and medium-term (solvency).

With the support of the Committee, the Board conducts an annual review of the effectiveness of the Group's risk management and internal control systems. This review covers all material controls including financial, operational and compliance controls and risk management systems, with the Committee continuing to have a strong focus on cyber security, sanctions compliance, IT systems and controls. In conducting the oversight responsibilities of the Board and the Committee, both forums meet regularly with senior management during the year to assess key judgements applied.



The Board also considered the Group Viability Statement see [page 116](#) of the Strategic Report



Refer to the Group Principal Risks on [pages 116 to 121](#) and Group risk factors on [pages 341 to 361](#)

Audit, Risk, Internal Control

Audit Committee

Continued

Regional Audit and Corporate Social Responsibility (CSR) Committee framework

The Group's Regional Audit and CSR Committee framework underpins the Audit Committee. It provides a flexible channel for the structured flow of information through the Group, with committees for each of the three Group regions, for the US business, and for locally-listed Group entities and specific markets where considered appropriate.

The Regional Audit and CSR Committees are supported by Risk and Control Committees established at business unit level, and within certain Group functions where applicable.

This framework ensures that significant financial, social, environmental, governance and reputational risks faced by the Group are appropriately managed and that any failings or weaknesses are identified so that remedial action may be taken. The Group's Regional Audit and CSR Committees are all chaired by an Executive Director, comprise members of the Management Board and regularly attended by one or more Non-Executive Directors.

In addition, the Corporate Audit Committee focuses on the Group's risks and control environment that fall outside the regional committees' remit, such as central functions, and global programmes, processes and projects. It comprises members of the Management Board and is chaired by a Regional Director. One or more of the Non-Executive Directors also regularly attend meetings of the Corporate Audit Committee.

External and internal auditors attend meetings of these committees and regularly have private audiences with members of the committees after meetings. Additionally, central, regional and individual market management, along with Internal Audit, support the Board in its role of ensuring a sound control environment.

Internal control

Group operating companies and other business units are annually required to complete a controls self-assessment, called Control Navigator, of the key controls that they are expected to have in place. Its purpose is to enable them to self-assess their internal control environment, assist them in identifying any controls that may need strengthening and support them in implementing and monitoring action plans to address control weaknesses.

The Control Navigator assessment is reviewed annually to ensure that it remains relevant to the business and covers all applicable key controls. In addition, at each year-end, Group operating companies and other business units are required to:

- review their system of internal control, confirm whether it remains effective, and report on any specific control deficiencies and the action being taken to address them; and
- review and confirm that policies and procedures to promote compliance with the SoBC are fully embedded and identify any material instances of non-compliance.

The results of these reviews are reported to the relevant Regional Audit and CSR Committees or to the Corporate Audit Committee, and to the Audit Committee, to ensure that appropriate remedial action has been, or will be, taken where necessary. They are also considered by the SOx Steering Committee and the Disclosure Committee in determining management's opinion on the internal controls over financial reporting (ICFR).

Annual review

The Financial Reporting Council's 'Guidance on Risk Management, Internal Control and Related Financial and Business Reporting' provides guidance in relation to issues of risk and internal control management and related reporting.

The processes described above, and the reports that they give rise to, enable the Board and the Committee to monitor risk and internal control management on a continuing basis throughout the year and to review its effectiveness at the year-end. The Board, with advice from the Committee, has completed its annual review of the effectiveness of that system for 2022.

The Board is satisfied that the system of risk and internal control management accords with the UK Corporate Governance Code and satisfies the requirements for internal controls over financial reporting.

Internal Audit function

The Group's Internal Audit function is responsible for carrying out risk-based audits of Group companies, business units, factories, global processes and major change initiatives. A separate Business Controls Team provides advice and guidance on controls to the Group's business units.

The purpose, authority and responsibilities of the Group's Internal Audit function are defined by the Committee through the Group's Internal Audit Charter, which is kept under review by the Committee and refreshed at least every three years.

The Group's Internal Audit function works to a rolling 18-month audit plan, prioritising principal risk areas aligned to the Group's risk register. During 2022, the Internal Audit plan was kept under regular review with the Committee, enabling the Committee to monitor the ongoing effectiveness of audit work and allowing flexibility to augment coverage of audit assignments in response to emerging risks where appropriate.

In 2022, internal audits covered various markets and business units, manufacturing facilities in a range of locations and a balanced cross-section of other business activities mapped to Group risks, including digital infrastructure; cyber security programme assurance; business continuity management; supply chain logistics; global leaf pool; critical business transformation programmes; environment; health and safety management processes; responsible product marketing procedures; implementation of SAP in the US business; and the transfer of various activities to shared services hubs.

Audits were conducted using a combination of on-site and remote auditing, with continued focus on the use of data analytics and virtual communications to optimise audit efficiency, effectiveness and coverage.

The Committee reviews regular summary reports provided by the Group Head of Internal Audit in respect of internal audits conducted during the year and findings from those audits, together with management feedback and agreed action plans established where areas for improvement are identified.

The scope of each internal audit is assessed for SOx impact and audit of applicable SOx controls is included where relevant. Reviews of SOx controls and their effectiveness are primarily conducted by the Group's Business Controls Team. Assurance is also undertaken by the Group's external auditors, as referred to on page 158.

The Committee has approved the 2023 Internal Audit plan and assessed its alignment with the Group's risk register to ensure robust coverage of Group risks and material coverage of Group activities (measured by value and volume). The design of the 2023 Internal Audit plan builds on digital capabilities developed in 2022, using enhanced data analytics, and balanced application of remote fieldwork and focused site visits. The scope of the 2023 plan remains risk-focused, reflecting the Group's evolving risk profile. Emphasis is placed on the growth of New Categories, ESG priorities, digital infrastructure and cyber security, critical change initiatives including QUEST, and geopolitical and other emerging risks, whilst maintaining thorough coverage of core business activities, lines of defence and IT controls.

The Committee reviews the effectiveness of the Group's internal audit function annually, supported by an effectiveness review conducted periodically by an independent third party. The last external effectiveness review was conducted in 2019. The Committee considers the Internal Audit function to be effective and to have the necessary resources to enable it to fulfil its mandate.

Financial reporting controls

The Group maintains a series of policies, practices and controls in relation to the financial reporting and consolidation process, designed to address key financial reporting risks, including risks arising from changes in the business or accounting standards and to provide assurance of the completeness and accuracy of the Annual Report and Form 20-F.

A key area of focus is to assess whether the Annual Report and Form 20-F and financial statements are 'fair, balanced and understandable' in accordance with the UK Corporate Governance Code, with particular regard to:

- Fair: Consistency of reporting between the financial statements and narrative reporting of Group performance and coverage of an overall picture of the Group's performance;
- Balanced: Consistency of narrative reporting of significant accounting judgements and key matters considered by the Committee with disclosures of material judgements and uncertainties noted in the financial statements; appropriate use, prominence and explanation of primary and adjusted performance measures; and
- Understandable: Clarity and structure of the Annual Report and Form 20-F and financial statements, appropriate emphasis of key messages, and use of succinct and focused narrative with strong linkage throughout the report, to provide shareholders with the information needed to assess the Group's business, performance, strategy and financial position.

The Group Manual of Accounting Policies and Procedures sets out the Group accounting policies, its treatment of transactions and its internal reporting requirements.

The internal reporting of financial information to prepare the Group's annual and half-year financial statements is signed off by the heads of finance responsible for the Group's markets and business units. The heads of finance responsible for the Group's markets and all senior managers must also confirm annually that all information relevant to the Group audit has been provided to the Directors and that reasonable steps have been taken to ensure full disclosure in response to requests for information from the external auditors.

The Committee Chair participated in the 2022 Annual Report and Form 20-F drafting and review processes, and engaged with the Finance and Transformation Director and the Group Head of Internal Audit during the drafting process.

FRC review of the Company's Annual Report and Accounts to 31 December 2021

The UK Financial Reporting Council (FRC) carried out a limited scope review of TCFD and climate disclosures in the Company's Annual Report and Accounts to 31 December 2021. The FRC's correspondence with the Company regarding that review confirmed there were no questions or queries that the FRC wished to raise with the Company. The outcomes of the FRC's limited scope review were reviewed by the Committee and have been taken into account in the preparation of this Annual Report and Form 20-F for 2022.

The limited scope review conducted by the FRC was based solely on the Company's Annual Report and Accounts to 31 December 2021. The FRC's review does not provide any assurance that the Company's Annual Report and Accounts to 31 December 2021 are correct in all material respects; the FRC's role is to consider compliance with reporting requirements, not to verify the information provided.

External assurance of ESG metrics and related information

Robust procedures are maintained for reporting ESG metrics and related information for the Group in the Annual Report and Form 20-F, supported by external assurance over defined ESG metrics and related information conducted by the external assurance provider KPMG LLP.

ESG metrics and related information subject to external assurance are identified in the assurance report set out at pages 94 to 95.

The work of the external assurance provider is overseen by the Committee during the year. In 2022, this included the Committee's review of KPMG's report on assurance over ESG metrics and related information reported for the prior financial year and discussion of findings with the ESG Assurance Partner, review of planning activities and scoping for assurance to be conducted over ESG metrics in 2022, and monitoring progress of assurance activities against the work plan in preparation for reporting of ESG metrics in the Annual Report and Form 20-F.

The Committee has approved KPMG's provision of assurance services in accordance with the requirements of the Group Auditor Independence Policy.

SOx compliance oversight

The Company is subject to certain rules and regulations of US securities laws, including the US Securities Exchange Act 1934 and SOx. SOx places specific responsibility on the Chief Executive and Finance and Transformation Director to certify or disclose information applicable to the financial statements, disclosure controls and procedures (DCP) and internal controls over financial reporting (ICFR). This includes our Chief Executive and Finance and Transformation Director giving attestations in respect of ICFR effectiveness under §404 of SOx.

The Committee has oversight of processes established to ensure full and ongoing compliance with applicable US securities laws, including SOx. Two committees provided assurance during 2022 with regard to applicable SOx certifications. The Disclosure Committee reviews the Company's financial statements for appropriate disclosure, designs and maintains DCPs, and reports to, and is subject to the oversight of, the Chief Executive and the Finance and Transformation Director.

A sub-committee of the Disclosure Committee, the SOx Steering Committee, provides assurance that ICFR have been designed, and are being operated, implemented, evaluated and disclosed appropriately, in accordance with applicable requirements and subject to the oversight of the Chief Executive and Finance and Transformation Director. The activities of this sub-committee are directly reported to the Disclosure Committee.

The outputs from the Disclosure Committee and SOx Steering Committee were presented to and reviewed by the Committee.

Audit, Risk, Internal Control

Audit Committee Continued

No material weaknesses were identified and the Committee is satisfied that, where areas for improvement were identified, processes are in place to ensure that remedial action is taken and progress is monitored.

In 2022, the Committee also reviewed the scope of the external auditors' SOx procedures, and received reports on their progress with their independent assessment of ICFR across the Group.

Code of Ethics for the Chief Executive and Senior Financial Officers

The Company has adopted a Code of Ethics applicable to the Chief Executive, the Finance and Transformation Director, and other senior financial officers, as required by US securities laws and NYSE listing standards. No waivers or exceptions to the Code of Ethics were granted in 2022.

Group Standards of Business Conduct (SoBC)

The Committee is responsible for monitoring compliance with the SoBC, and reports on this to the Board. The SoBC requires all staff to act with a high degree of business integrity, comply with applicable laws and regulations, and ensure that standards are never compromised for the sake of results. Every Group company and all staff worldwide, including senior management and the Board, are expected to adhere to the SoBC. The SoBC and the Group's Delivery with Integrity compliance programme are discussed on pages 66 to 67.

All Group companies have adopted the SoBC or local equivalent. Information on compliance with the SoBC is gathered at a regional and global level and reports of SoBC allegations, including details of the channels through which allegations are reported, are provided on a regular basis to the Regional Audit and CSR Committees, Corporate Audit Committee, and to the Committee. A breakdown of SoBC contacts and SoBC allegations reported across the Group in 2022 is set out on page 66.



The SoBC and information on the total number of SoBC contacts and SoBC allegations reported in 2022 (including established breaches) is available at bat.com/sobc

Speak Up

The Group maintains Speak Up channels which enable concerns regarding SoBC compliance matters, including concerns about possible improprieties in financial reporting, to be raised in confidence (and anonymously should an individual wish) without fear of reprisal.

The SoBC includes the Group's Speak Up policy, which is supplemented by local procedures throughout the Group that provide staff with further guidance on reporting matters and raising concerns, and the channels through which they can do so. The Board periodically reviews the Group's Speak Up policy and reports arising from Speak Up channels. The Speak Up policy was revised with effect from 1 January 2022 (as part of the revised SoBC). The Board is satisfied that the Group's Speak Up policy and procedures enable proportionate and independent investigation of matters raised, and ensure that appropriate follow-up action is taken.



Read more about Speak Up channels and Speak Up reports on page 66

Political contributions

The Group does not make contributions to UK or European Union (EU) political organisations or incur UK or EU political expenditure. The total amount of political contributions made to non-UK political parties in 2022 was £4,576,059 (2021: £4,339,371) as follows:

Reynolds American Companies reported political contributions totalling £4,576,059 (US\$5,656,010) for the full year 2022 to US political organisations and to non-federal-level political party and candidate committees in accordance with their contributions programme. No corporate contributions were made to federal candidates or party committees and all contributions were made in accordance with applicable laws.

All political contributions made by Reynolds American Companies are assessed and approved in accordance with Reynolds American's policies and procedures to ensure appropriate oversight and compliance with applicable laws.

In accordance with the US Federal Election Campaign Act, Reynolds American Companies continue to support an employee-operated Political Action Committee (PAC), a non-partisan committee registered with the US Federal Election Commission that facilitates voluntary political donations by eligible employees of Reynolds American Companies. According to US federal finance laws, the PAC is a separate segregated fund and is controlled by a governing board of individual employee-members of the PAC. In 2022, Reynolds American Companies incurred expenses, as authorised by US law, in providing administrative support to the PAC. No other political contributions were reported.

Remuneration Report

Annual Statement on Remuneration



The 2022 Remuneration Policy strengthens the link between remuneration and BAT's strategy – A Better Tomorrow™ and provides further alignment with shareholders and our ambitious ESG agenda.

Dimitri Panayotopoulos
Chair of the Remuneration Committee

Remuneration Committee current members

Dimitri Panayotopoulos (Chair)

Kandy Anand

Sue Farr

Savio Kwan

Dear Shareholders,

On behalf of the Board, I am pleased to introduce our 2022 Directors' Remuneration Report. In 2022, we continued to accelerate our transformation and deliver results in line with our guidance, while navigating a more challenging macro-economic environment exacerbated by the conflict in Ukraine. This was driven by the hard work and commitment of Group employees across the world, and their focus on the delivery of our three strategic priorities, demonstrating once again the strength and resilience of our business.

With the COVID-19 crisis having been a persistent theme at the start of the year, we maintained our position of no furloughing of employees, no compulsory redundancies, and no pay reductions related to the COVID-19 pandemic.

Shareholder Engagement

Earlier in 2022, we concluded our engagement process by writing to our major shareholders, representing 60% of our issued share capital together with the Investment Association, Institutional Shareholder Services and Glass Lewis, to share the outcomes of the extensive engagement process we undertook in the latter part of 2021. In that communication we outlined the final 2022 Remuneration Policy proposals following refinements made by the Committee to incorporate the feedback we received from our shareholders. There was a wide range of views on the detail of the proposals with most shareholders recognising that the changes proposed were appropriate for the Group and support the delivery of our corporate purpose, ESG and transformation agendas.

At the 2022 Annual General Meeting, we presented our new Directors' Remuneration Policy, which was very well received and supported by shareholders (94.85% votes in favour). On behalf of the Remuneration Committee, I would like to thank shareholders and their advisory bodies for taking the time to engage with us and for their feedback, which provided valuable input and assisted the Committee in developing the new Remuneration Policy.

Remuneration Policy and ESG

The new Remuneration Policy strengthens the link between remuneration and BAT's strategy – A Better Tomorrow™ – and provides further alignment with shareholders and our ambitious ESG agenda.

We are putting ESG at the heart of our strategy and corporate purpose by delivering sustainable growth, encouraging more consumers to transition to reduced risk products[†] and reducing the health impact of our business. As more fully described in the new Remuneration Policy, this has been firmly embedded into our Executive Directors' remuneration through new quantifiable performance measures in the Short-Term and Long-Term Incentive Plans with greater focus on revenue growth and improving profitability in New Categories (further details are on pages 50 and 51).

Wider Workforce Context

In 2022, the Remuneration Committee has considered pay decisions against the backdrop of the inflationary pressures faced by all our employees to ensure that pay decisions reflect the principles of fairness and equitable treatment. The Remuneration Committee noted the work undertaken by the Group to support employees during this difficult period, such as off-cycle salary increases targeting lower paid employee groups, additional budgets allocated by the Group for wider workforce salary increases in the UK and globally, and changes to enhance benefits and wellbeing programmes.

Notes:

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

† Our Vapour product Vuse (including Alto, Solo, Ciro and Vibe), and certain products including Velo, Grizzly, Kodiak, and Camel Snus, which are sold in the U.S., are subject to FDA regulation and no reduced-risk claims will be made as to these products without agency clearance.

The 2022 Annual Report on Remuneration has been prepared in accordance with the relevant provisions of the Companies Act 2006 and as prescribed in The Large and Medium-sized Companies and Group (Accounts and Reports) (Amendment) Regulations 2013 (the UK Directors' Remuneration Report Regulations). Where required and for the purpose of the audit conducted in accordance with International Standards on Auditing (ISA), data has been audited by KPMG and this is indicated appropriately.

Remuneration Committee terms of reference

The Committee's terms of reference align with the requirements of the Code. No changes were made to the Committee's terms of reference in 2022.



For the Committee's terms of reference see
www.bat.com/governance

Remuneration Report

Annual Statement on Remuneration Continued

Our Performance and Remuneration Outcomes for 2022

The new “At a Glance” section provides an overview of our financial performance and how it translates into outcomes under the Short-Term and Long-Term Incentive plans, with further details provided on pages 165 and 166. After reflecting on a range of considerations as described further in this report, the Committee was satisfied that the Remuneration Policy had operated as intended.

2022 Target Setting

The performance targets set by the Committee early in the year have remained unchanged throughout the 2022 performance period. Target setting was focused on ensuring continued delivery towards the Group's £5 billion of New Category revenue and profitability targets by 2025, continuing to drive value through our combustibles business, and generating cash to support our Capital Allocation Agenda.

In setting the 2022 targets, the Committee also considered the expectations around our further growth in Non-Combustible product consumer base, strong New Category revenue and volume growth and improvement in New Category contribution (refer to page 329). In order to meet profit objectives, ambitious cost savings were also embedded in the targets, aiming to mitigate some of the pressures arising from the inflation in our cost base.

The inclusion of New Categories revenue growth in both the Short-Term and Long-Term Incentives is an important step given that New Categories growth is a critical part of our long-term strategy and ESG agenda. The STI measure will continue to provide focus on in year delivery, while the LTIP measure will focus on cumulative and sustained performance over a three-year period.

2022 Short-Term Incentive

Our 2022 performance demonstrated our continued focus on delivery against our three priorities – Step Change in New Categories, Combustibles Value Growth and Simplify the Company, with New Categories becoming a greater driver of Group performance and, from 2022, a key component of the Short-Term Incentive and the Long-Term Incentive.

In 2022, strong revenue growth continued, led by pricing and New Category revenue growth which increased by 37.0% to £2,813 million (at constant rates of exchange). New Categories contribution, a new performance measure included in 2022 to incentivise delivery of the New Category profitability targets by 2025, improved by £578 million through volume growth, strong pricing and cost of sales productivity savings. We have outperformed the 2022 targets, which were set in relation to the original 2025 ambition, enabling the Group to accelerate progress early in this critical area of our business. Adjusted profit from operations (at constant rates of exchange) improved by 4.3%, driven by accelerated growth in New Categories, strong pricing, optimised resource allocation, productivity savings, and further costs saving initiatives including the actualisation of Quantum benefits. Cash delivery continued to be strong realising over £7.4 billion of adjusted cash generated from operations. Group volume share (of cigarette and THP) in key markets reduced by 10 bps. The above performance translates into a result of 77.7% of maximum opportunity.

2020 Long-Term Incentive

The performance results of the last 3 years (2020, 2021 and 2022) are reflected in the outcomes for the 2020 LTIP award:

- Total shareholder return (TSR) relative to peers (20%): Over the performance period, we returned more than £6.9 billion to shareholders in the form of dividends and share buy-backs. This, together with our share price performance, reflecting our focus on delivering our strategy, as well as robust financial results and the resilience of our business model, resulted in BAT TSR ranking 4th amongst our TSR peer group of 24 companies (page 166).
- Adjusted diluted earnings per share (EPS) (40%): We measure adjusted diluted EPS at current and constant rates of exchange (equally weighted). The 3-year adjusted diluted EPS compound annual growth rate (CAGR) was 4.7% and 5.9%, respectively.
- Group revenue (20%): The 3-year Group revenue CAGR was 4.1% at constant rates of exchange.
- Operating cash flow conversion (20%): We have continued to demonstrate the ongoing strength of the Group in turning operating performance into cash, resulting in a 102.2% operating cash flow conversion ratio at current rates over the last 3 years.

As previously announced, we are working towards transferring our Russian business in full compliance with international and local laws and have suspended all planned capital investment into Russia in 2022. In addition, the Group's subsidiary in Belarus will form part of the transaction. As Russia and Belarus have been part of the Group throughout 2022, it was decided not to make any adjustments to the 2022 STI and LTIP targets set at the beginning of the year – both targets and the results are inclusive of contribution from our Russian and Belarusian businesses. The full treatment of our Russian and Belarusian businesses under IFRS rules, including impairment charges and associated costs, are detailed on pages 215, 266 and 267.

The above performance translates into a result of 58.9% of maximum for the 2020 LTIP. Following evaluation of the formulae outcomes for both the STI plan and LTIP, the Committee considered the results against the underlying performance of the Group and the experience of our shareholders. The Committee concluded that the outcomes were a fair reflection of performance delivered in what continues to be challenging and volatile market conditions and no adjustments were required. In addition, share price fluctuation is reflected throughout the Executive Directors' remuneration in the vesting and holding periods as well as their individual shareholdings.

The Committee also considered whether there were any potential windfall gains for the LTIP award granted in March 2020 in the immediate aftermath of the COVID-19 outbreak. Consideration was given to several factors including the share price at the point of grant which was within the range of share price performance during FY2019; the share price following grant, which remained around the grant price for the 2020/2021 period, and the share price growth since grant, which was delivered almost entirely over 2022, reflecting the Group's performance over that period. The Remuneration Committee also noted that the value of the 2020 awards is indicative at this stage, as awards are subject to the additional two-year holding period and will not vest to the Executive Directors until March 2025. Based on consideration of the above factors, amongst others, it was concluded that an adjustment to the size of the awards was not warranted. More details are provided on page 166.

Executive Directors Remuneration

In determining the 2023 salary increases for the Chief Executive and Finance and Transformation Director, the Remuneration Committee noted that in the UK, salary increases for the majority of employees are expected to be around 5.5% on average.

In addition, the Remuneration Committee also considered the underlying company performance for the financial year and individual contribution of the Executive Directors, including continued strong growth in New Categories revenue and New Categories contribution, continued growth in consumer acquisition, as well as further improvements in the Group's cost structure through Quantum delivery while ensuring the Group navigated through a complex and deteriorating macro-economic environment during the year. The Committee also reviewed the market data provided by external consultants to reference the competitive positioning of the Executive Directors' total remuneration in relation to our pay comparator group and wider market, noting that there were no salary increases granted to either Executive Director in 2022 and that the Finance and Transformation Director's last salary adjustment was in 2020. The Remuneration Committee also reviewed the impact of salary adjustments on total compensation of the Executive Directors to ensure the overall potential quantum remains reasonable. Taking the above points into account, the Remuneration Committee decided to approve a salary increase of 4.5% for the Chief Executive and 5.0% for the Finance and Transformation Director, which are below the level of the wider UK workforce.

Wider Workforce Activities

The Remuneration Committee continued to engage in matters related to all employees, ensuring a robust understanding of the issues affecting the wider workforce, drawing from a range of well-established engagement channels worldwide covering the Group's global workforce.

The Committee remains mindful of executive pay in the broader context, ensuring the Remuneration Policy is implemented with the desired attributes of fairness, transparency, proportionality, and alignment to broader organisational culture and societal expectations.

Building a diverse and inclusive culture

We want to be confident that our pay practices are delivering equal pay globally and that any differences in pay between employees performing similar work are for objective reasons.

More information is available in our 2022 People, Diversity and Culture Report starting on page 84.

Equal Pay for Equal Work

In 2022, we extended the scope of our Pay Equity Review to include approximately 40,000 employees across 44 markets, covering approximately 80% of our people from a gender pay equity perspective. For the first time, we also included data for approximately 14,000 employees across 7 countries covering approximately 30% of our workforce for our Ethnicity Pay Equity Review.

The Group results show that pay difference between men and women, and between ethnically diverse and non-ethnically diverse groups is within 1% (on consolidated basis), for doing work of equal value. This demonstrates that our pay practices are founded on fair and legitimate drivers of pay.

For the second year in succession, we gained independent accreditation for our Pay Equity Review from Fair Pay Workplace, demonstrating our commitment to pay equity in order to create a more equitable and inclusive workplace.

Looking Ahead to 2023

We continued to accelerate our transformation journey towards A Better Tomorrow™ in 2022 and creating value for all stakeholders. Our new Remuneration Policy drives pay for performance and provides strong alignment with the Group strategy and our ambitious ESG agenda. We have determined that the measures and weightings used in our incentive plans remain relevant, therefore, we will not make any changes to the STI and LTI performance measures for the 2023 performance year.

We hope you find this report informative. We continue to maintain an open dialogue on remuneration matters and welcome your further comments and feedback and respectfully ask for your support at the forthcoming Annual General Meeting.

Dimitri Panayotopoulos

Chair, Remuneration Committee
8 February 2023

Remuneration Report

2022 Remuneration at a Glance

Remuneration at the Group is designed to reward performance in line with the delivery of the Group's strategy – A Better Tomorrow™ and provides alignment with shareholders and our ambitious ESG agenda. In 2022, we continued to accelerate our transformation journey towards A Better Tomorrow™. The below summary highlights how our business performance translated into the remuneration of our Executive Directors.



Step Change in New Categories Performance

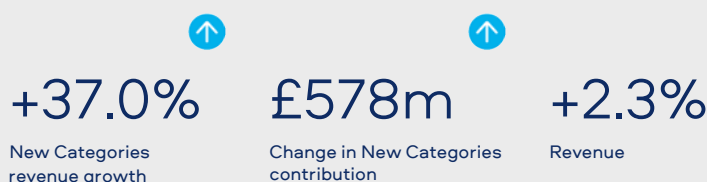


Drive Value From Combustibles



Simplify the Business

2022 Business performance highlights



STI

STI

LTI

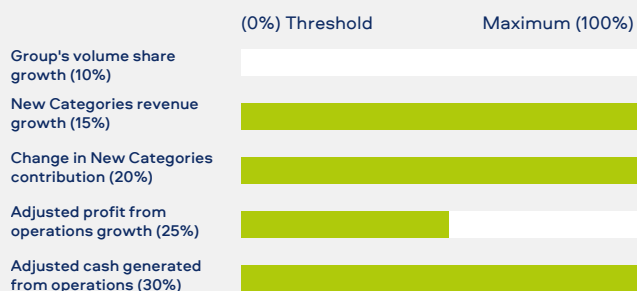
LTI

STI

Performance outcomes

Short-Term Incentive 2022 (STI)

Strong business performance translated into STI and LTI outcomes as shown in the chart below. Full details can be found on pages 165 and 166.



Delivery

50% Cash
50% Shares

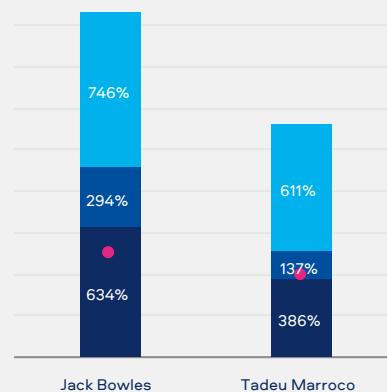
Current Shareholding as % of salary

Chief Executive 928 %
Finance and Transformation Director 523 %

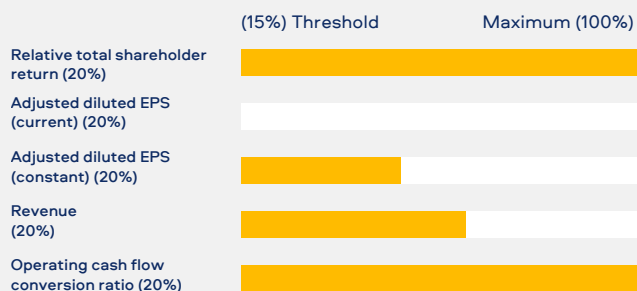
Outcome as % of maximum (£'000)

77.7%

Chief Executive £2,575
Finance and Transformation Director £1,186



Long-Term Incentive 2020-2022 (LTI)



Outcome as % of maximum (£'000)

58.9%

Chief Executive £5,222
Finance and Transformation Director £2,666

- At risk – invested subject to performance
- Unvested subject to continued employment
- Ordinary Shares
- Shareholding requirement
 - Current shareholding includes: ordinary shares owned outright and shares subject to continued employment on a net-of-tax basis (estimated).
 - Shares "at risk" include unvested LTI awards subject to performance.

2022 Remuneration (£'000)








	Base salary	Total Remuneration
Chief Executive	£1,326	£9,617
Finance and Transformation Director	£803	£4,936

No salary increases were granted to Executive Directors in 2022.

The majority of the Executive Directors' remuneration packages are made up of variable at-risk pay, linked to stretching targets that align with our strategy and shareholder value creation, and are largely delivered in shares.

Summary of Current Remuneration Policy

The Remuneration Policy was approved by shareholders at the AGM on 28 April 2022. The full Directors' Remuneration Policy is set out in the Remuneration Report 2021 contained in the Annual Report and Form 20-F for the year ended 31 December 2021 (pages 152-157), which is available at www.bat.com.

Directors' Remuneration Policy – Summary					
	Year 1	Year 2	Year 3	Year 4	Year 5
Fixed Pay – Salary Attracts and retains high-calibre individuals to deliver the Group's long-term strategy. Reviewed annually, taking into account factors including individual performance, experience and business performance, as well as reference versus appropriate market data and the approach taken for the general UK employee population.					
Fixed Pay – Pensions and Benefits Pension provides competitive post-retirement benefits arrangements in form of Defined Contribution benefit equivalent to a maximum of 15% of salary, aligned with the rate applicable to the wider UK workforce. Market competitive benefits are provided which are consistent with the role.					
Short-Term Incentive¹ Incentivises the attainment of corporate targets aligned to the Group's strategic objectives on an annual basis, with a deferred element to ensure alignment with shareholders' interests. The Chief Executive's on-target opportunity is 125% of salary and maximum is 250% of salary. The Finance and Transformation Director's on-target opportunity is 95% of salary and maximum is 190% of salary.	 50% cash	 50% shares deferred for 3 years			
Long-Term Incentive¹ A combination of stretching targets aligned with long-term strategy delivery that provides a balance relevant to the Group's business and market conditions as well as alignment between Executive Directors' and shareholders' interests. Awards granted under the Group's LTIP - Performance Share Plan vest after a 5-year extended vesting period from the grant date, and only to the extent that the performance conditions are satisfied at the end of the 3-year performance period, and employment continues for an additional 2-year period from the third anniversary of the grant date. Annual award of 500% of salary for the Chief Executive and 400% of salary for the Finance and Transformation Director.	 3-year performance period			 2-year holding period	
Shareholding (including post-employment) Strengthens the long-term alignment between the interests of Executive Directors and shareholders. Executive Directors are required to hold BAT shares equal to the value of 500% of salary for the Chief Executive and 400% for the Finance and Transformation Director during their service, and post-employment are required to maintain the same level of shareholding until second anniversary of cessation of employment.	 Minimum shareholding requirement				

Note:

1. Further details on the performance measures for the performance period ended 31 December 2022 can be found on pages 165 and 166.

Remuneration Policy and the Corporate Governance Code

When setting the Remuneration Policy, the Committee has ensured that the provision 40 disclosures from the UK Corporate Governance Code are considered, as summarised below.

Clarity and simplicity

Our Remuneration Policy provides an overall remuneration package that is transparent for our Executive Directors and shareholders alike; its simple structure has a clear and straightforward link to the delivery of the Group's long-term strategy. Principles driving fixed remuneration (salary, benefits, pension) are closely aligned with the wider workforce and variable remuneration (STI and LTI) rewards delivery of financial and strategic objectives both in the short- and long-term.

Risk

The combination of performance target setting for the STI and LTI, the inclusion of provisions for discretionary adjustments and malus and clawback provisions ensure that we remunerate our Executive Directors in accordance with high standards of governance while mitigating, as far as possible, reputational and other risks arising from remuneration that are not proportionate to outcomes.

Predictability and proportionality

There is a clear link between the operation of our short and long-term incentive plan awards and the delivery of our strategy and long-term performance. Variable remuneration at the Company accounts for between 80%-90% of an Executive Director's total remuneration, ensuring that poor performance is not rewarded.

Alignment to culture

The Remuneration Committee has worked extensively to develop a policy that closely aligns the Executive Directors to the wider workforce and rewards long-term sustainable performance. The Remuneration Committee continually reviews the Remuneration Policy, taking into account any feedback received from engagement with the wider workforce and shareholders, to ensure it is aligned to the Company's purpose and values, and promotes the long-term success of the Company. The current Remuneration Policy was approved at the 2022 AGM with 94.85% of votes in favour.

Remuneration Report

2022 Annual Report on Remuneration
Continued

The below section of the Remuneration Report sets out the Executive Directors' remuneration for the year ended 31 December 2022.

Executive Director remuneration earned in the year ended 31 December 2022 – @Audited@

£'000	Executive Directors			
	Jack Bowles		Tadeu Marroco ⁵	
	2022	2021	2022	2021
Salary ¹	1,326	1,316	803	803
Pension	199	197	121	121
Taxable Benefits	292	320	157	100
Other emoluments ²	3	3	3	3
Short-Term Incentives	2,575	2,820	1,186	1,308
Long-Term Incentives ^{3,4}	5,222	3,407	2,666	706
Total Remuneration	9,617	8,063	4,936	3,041
<i>Total Fixed Pay</i>	1,817	1,833	1,081	1,024
<i>Total Variable Pay</i>	7,800	6,230	3,855	2,017

Notes:

- The 2021 salary figure for Jack Bowles reflects a salary of £1,287,000 for the period of 1 January 2021 to 31 March 2021 and a salary of £1,325,610 for the period of 1 April 2021 to 31 December 2021.
- The amounts included as Other emoluments relate to the Share Reward Scheme and indicate the value of ordinary shares awarded in line with the Directors' Remuneration Policy. The Executive Directors did not receive options during the year.
- The 2020 LTIP award is due to vest, by reference to performance, on 30 March 2023, based on completion of the three-year performance period on 31 December 2022. The value shown is based on the average share price for the three-month period ended 31 December 2022 of 3,328p and includes accumulated notional dividends. The indicative amounts of £913,000 for Jack Bowles and £466,000 for Tadeu Marroco are attributable to share price appreciation during the three-year period based on the average share price for the three-month period ended 31 December 2022 of 3,328p. The actual value of shares to vest will be the value on 28 March 2025, when the awards fully vest after the additional two-year extended vesting period and are finally released to the Executive Directors.
- LTIP values shown for 2021 have been restated to reflect the actual closing BAT share price of 3,299p on the date the awards were adjusted for performance and include accumulated dividends.
- The 2021 LTIP value for Tadeu Marroco relates to his 2019-2021 award (vested in March 2022) which was granted prior to his appointment to the Board in August 2019.

The following sections provide further detail on the figures in the above table, including the underlying calculations and assumptions and the Committee's performance assessment for variable remuneration.

Salary				
Salaries are normally reviewed annually in February with salary changes effective from April. Jack Bowles' salary was last increased in April 2021 and Tadeu Marroco's salary was last increased in October 2020. There were no salary increases awarded to the Executive Directors in 2022.	£'000	As of April 2021 salary	As of April 2022 salary	2022 increase
Jack Bowles		£1,326	£1,326	— %
Tadeu Marroco		£803	£803	— %

Pension		
The pension values shown in the table represent company contributions of 15% of an annual base salary to the Defined Contribution arrangements in line with the contribution level for the wider UK workforce. No excess retirement benefits have been paid to, or receivable by, the Executive Directors in 2022 and neither was entitled to defined benefits pension arrangements.		
£'000	Employer pension contributions	
Jack Bowles	£199	
Tadeu Marroco	£121	

Benefits									
The table below summarises the benefits provided to the Executive Directors in 2022. Where relevant, the costs include VAT and a gross-up for tax.									
£'000	Car or car allowance	Health insurance	Life & Accident insurance	Tax advice	Company driver	Security ¹	Tax equalisation ²	Other	Total Benefits
Jack Bowles	£10	£15	£10	£28	£39	£33	£123	£34	£292
Tadeu Marroco	£20	£13	£4	£40	£33	£7	£0	£40	£157

Notes:

- Security costs are related to annual maintenance and monitoring of the personal and home security system.
- The amount for tax equalisation for Jack Bowles relates to overseas taxes paid by the Company in respect of employment income in order to protect Jack Bowles to his UK tax position in line with the Company policy for the wider workforce.

Short-Term Incentive outcomes for the Year Ended 31 December 2022

In 2022, we further strengthened the link between remuneration and BAT strategy by introducing the New Categories contribution (20%) performance measure in addition to the New Categories revenue growth performance measure (15%), bringing New Categories to a 35% weighting overall.

2022 performance demonstrated our continued focus on delivery against our three priorities – Step Change in New Categories, Combustibles Value Growth and Simplify the Company, with New Categories becoming a greater driver of Group performance.

- **Group volume share growth (10%)** – The Volume Share is based on duty-paid cigarettes and THP consumables. The Group's share of key markets reduced in 2022, resulting in 0% outcome as threshold performance for this performance measure was not achieved.
- **New Categories revenue growth (15%)** (at constant rates) – Strong New Categories revenue growth which increased by 37% to £2,813 million in revenue, resulting in maximum outcome for this performance measure.
- **New Categories contribution (20%)** – Measures year-on-year improvement (at constant rates) in New Categories Contribution in line with the Group's original break-even expectation by 2025. In 2022, New Categories losses reduced by £578 million, resulting in maximum outcome for this performance measure.
- **Adjusted profit from operations growth (25%)** (at constant rates) – 4.3% improvement, mainly driven by strong revenue growth, and an improvement in the financial performance of New Categories, resulting in a 12.7% outcome out of a 25% maximum for this performance measure.
- **Adjusted cash generated from operations (30%)** – Cash delivery continued to be strong, realising over £7.4 billion of adjusted cash generated from operations, achieving maximum outcome for this performance measure.

The chart below illustrates performance compared to the targets.

STI performance measures, weightings and outcomes for the year ended 31 December 2022 – [®] audited [®]							
Measure ¹		Weighting	Threshold (0%)		Maximum (100%)	Result	Outcome
Group's volume share growth ²	Year on year % growth of Group share of key markets, including THP	10%	0%		10%	-10 bps	0% (10%)
New Categories revenue	Year on year % growth in revenue from Vapour, THP and Modern Oral at constant rates	15%	20%		35%	+37.0%	15% (15%)
New Categories contribution	Year on year improvement in New Categories contribution (loss reduction vs prior year)	20%	150m		250m	£578m	20% (20%)
Adjusted profit from operations	Year on year % growth at constant rates of exchange	25%	3%		5.5%	+4.3%	12.7% (25%)
Adjusted cash generated from operations	Annual adjusted cash generated from operations (at constant rates)	30%	£6.4bn		£7.0bn	£7.4bn	30% (30%)
Total outcome as % of maximum							77.7% (100%)

Notes:

- Non-GAAP measures: Adjusted profit from operations, New Categories revenue, New Categories contribution, and adjusted cash generated from operations are non-GAAP measures used by the Remuneration Committee to assess performance. Please refer to pages 324 to 336 for definitions of these measures and a reconciliation of these measures to the most directly comparable IFRS measure where applicable.
- Group volume share is presented as a rounded movement to the nearest 10 bps. Payout is based upon the actual performance of -14 bps in 2022.

Following evaluation of the formulaic outcomes for STI, the Committee considered the results against the underlying performance of the Group and concluded that the outcomes were a fair reflection of performance delivered in what continues to be challenging and volatile market conditions and no adjustments were required.

Under the Remuneration Policy, 50% of the annual STI will be delivered as an award of BAT shares which will be deferred for a three-year period. The 2022 STI outcomes for the Executive Directors are as follows:

STI outcome for the year ended 31 December 2022									
£'000	Base salary for 2022		Maximum opportunity as % of base salary		STI outcome (out of 100%)		STI award achieved £'000 ¹	50% delivered in cash	50% deferred in shares ²
Jack Bowles	£1,326	x	250%	x	77.7%	=	£2,575	£1,287	£1,287
Tadeu Marroco	£803	x	190%	x	77.7%	=	£1,186	£593	£593

Notes:

- Malus and clawback provisions apply.
- Deferred share awards will be released in March 2026, subject to leaver and malus and clawback conditions. No further performance conditions apply.

Remuneration Report

2022 Annual Report on Remuneration


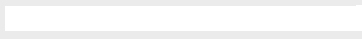
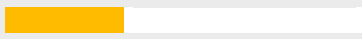


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Long-Term Incentive Plan (LTIP) 2020 - 2022

The LTI is designed to align participants with shareholders through making awards which are subject to stretching performance conditions. The measures below were set under the terms of our 2019 policy. The performance results were assessed over the three years 2020 - 2022 as follows:

- **Total shareholder return (TSR) (20%):** Over the performance period, we returned more than £6.9 billion to shareholders in the form of dividends and share buy-backs. This, together with our share price growth of circa 26% over the past 3 years, reflected our commitment to deliver our new strategy, as well as robust financial results and the resilience of our business model. BAT TSR ranked 4th amongst our 24 TSR peers resulting in a full vesting for this measure.
- **Earnings per share (EPS) (40%):** EPS growth is an important indicator that underpins the Group's ability to grow dividends. We measure EPS at current and constant rates of exchange (equally weighted). The 3-year EPS compound annual growth rate (CAGR) was 4.7% and 5.9%, respectively, resulting in 0% and 6.2% vesting for this measure.
- **Group revenue (20%):** The 3-year Group revenue CAGR was 4.1% at constant rates of exchange, resulting in 12.7% vesting for this measure.
- **Operating cash flow conversion (20%):** We have continued to demonstrate the ongoing strength of the Group in turning operating performance into cash, resulting in a 102.2% operating cash flow conversion ratio at current rates over the 3 years, resulting in a full vesting for this measure.

The chart below illustrates performance compared to the targets.

LTIP performance measures, weightings and results for year ended 31 December 2022 – [®] audited [®]							
Measure ¹		Weighting	Threshold (15%)		Maximum (100%)	Result	Outcome
Relative TSR ²	Relative to a peer group of international FMCG companies	20%	Median		100%	4th	20% (20%)
EPS growth at current rates of exchange	Compound annual growth in adjusted diluted EPS measured at current rates of exchange	20%	5%		10%	4.7%	0% (20%)
EPS growth at constant rates of exchange	Compound annual growth in adjusted diluted EPS measured at constant rates of exchange	20%	5%		10%	5.9%	6.2% (20%)
Revenue	Compound annual growth measured at constant rates of exchange	20%	3%		5%	4.1%	12.7% (20%)
Operating cash flow conversion ratio	Ratio over the performance period at current rates of exchange	20%	85%		95%	102.2%	20% (20%)
Total vesting as % of maximum							58.9% (100%)

Notes:

1. **Non-GAAP measures:** Adjusted diluted EPS (at current and constant rates of exchange) and operating cash flow conversion ratio are non-GAAP measures used by the Remuneration Committee to assess performance. Please refer to pages 324 to 336 for definitions of these measures and a reconciliation of these measures to the most directly comparable IFRS measure where applicable.
2. **Relative TSR:** the constituents of the FMCG peer group for the 2020-2022 LTIP were: Altria Group, Anheuser-Busch InBev, Campbell Soup, Carlsberg, Coca-Cola, Colgate-Palmolive, Danone, Diageo, Heineken, Imperial Brands, Japan Tobacco, Johnson & Johnson, Kellogg, Kimberly-Clark, LVMH, Mondelēz International, Nestlé, PepsiCo, Pernod Ricard, Philip Morris International, Procter & Gamble, Reckitt Benckiser and Unilever.

Having considered underlying company performance, the Committee concluded that there was no reason to apply a discretionary adjustment to the formulaic vesting outcome for the Executive Directors, and that the awards should vest in line with the outcome at 58.9% of maximum. The Committee also considered whether there were any potential windfall gains for the LTIP award granted in March 2020 in the immediate aftermath of the COVID-19 outbreak. Consideration was given to several factors, including:

- the share price on grant is within the range of share price movements over FY2019;
- the share price in the 2020/2021 period following the grant remained close to the 2020 grant price, with no observable appreciation driven by wider movements in the markets;
- share price growth over the 2020 to 2022 performance period has largely occurred during 2022, reflecting the Company's specific performance over the period;
- while the absolute share price growth of circa 26% over the performance period is positive, it is not higher than would be considered realistic within a 3-year time frame;
- the vesting value of the 2020 awards is at this stage indicative, as awards are subject to an additional 2-year holding period and will not vest to the Executive Directors until 2025; and
- despite the macro-economic events over the period, no adjustments have been made to either performance targets or outcomes under the performance conditions, which were set before the outbreak of the pandemic and assumed a 'business as usual' environment.

The Committee concluded that no adjustment should be made to the 2020 LTIP vesting outcome, taking all of the above into account but in particular the fact that the share price growth was almost entirely delivered in 2022, based on BAT specific performance and not due to wider market factors. The value of vested shares reflects the share price changes all shareholders have experienced over the three-year period.

2020-2022 LTIP outcome[®] audited[®]

	Shares awarded	Vesting %	Number of shares to vest ¹	Dividend equivalent £'000 ²	Total value to vest £'000 ³	Impact of share price change £'000 ⁴
Jack Bowles	223,129	58.9%	131,422	£849	£5,222	£913
Tadeu Marroco	113,938	58.9%	67,109	£433	£2,666	£466

Notes:

- Shares will not be released until after the two-year additional extended vesting period which will end on 28 March 2025.
- Value of the dividend equivalents accrued on the proportion of the award that is due to vest only. Dividend equivalent will be delivered as shares following the expiry of the two-year extended vesting period on 28 March 2025.
- The value of ordinary shares to vest is calculated using average share price for the three-month period ended 31 December 2022 of 3,328p. The actual value of shares to vest will be the value on 28 March 2025, when the awards fully vest and are finally released to the Directors.
- The figures shown reflect the indicative value attributable to share price appreciation. This is calculated by multiplying the increase in the share price at grant of 2,633 to the average share price for the three-month period ended 31 December 2022 of 3,328p by the number of shares that are due to vest, excluding dividend equivalents.

The below table details the shares awarded under the LTIP and Deferred Share Bonus Scheme (DSBS) during the 2022 financial year.

Further details in relation to scheme interests granted during the year ended 31 December 2022

	Plan	Date of award	Shares awarded ¹	Market price at award (pence) ²	Face value £'000	Performance period ³	Date from which shares will be released
Jack Bowles	LTIP	25 Mar 2022	205,967	3,218	6,628	2022-2024	25 Mar 2027
	DSBS ⁴	25 Mar 2022	43,811			n/a	25 Mar 2025
Tadeu Marroco	LTIP	25 Mar 2022	99,863	3,218	3,214	2022-2024	25 Mar 2027
	DSBS ⁴	25 Mar 2022	20,325			n/a	25 Mar 2025

Notes:

- Shares awarded represents potential maximum opportunity.
- The award share price was calculated as the average of the closing mid-market price of an ordinary share over the three dealing days preceding the date of grant.
- The performance period is from 1 January 2022 - 31 December 2024. Performance conditions for the LTIP award can be found on page 177. The proportion of the award that will vest for achieving threshold performance is 15% of maximum opportunity and 100% of award will vest at maximum.
- DSBS awards relate to the 2021 performance as disclosed in the Annual Report and Form 20-F for the year ended 31 December 2021.

Remuneration in the context of the wider workforce

The Group's remuneration policies and practices are founded on a high degree of alignment and consistency across the organisation. Accordingly, remuneration for senior management is determined considering the remuneration principles that apply to the Executive Directors, and similar principles also form the basis of the remuneration arrangements for the wider workforce.

The reward strategy for all employees is built around and designed to deliver the following objectives:

- Attract, retain and engage a diverse talent pool for competitive advantage
- Offer a reward that is externally competitive and internally equitable as well as being commercially sustainable
- Alignment with short-term and long-term shareholder interests

The key difference between Executive Directors' remuneration and the wider employee population is the increased emphasis on long-term performance in respect of Executive Directors, with a greater percentage of their total remuneration being performance-related and delivered in BAT shares. This includes an additional two-year extended vesting period on LTIPs, and post-employment shareholding requirements which do not apply to other employees.

Remuneration Report

2022 Annual Report on Remuneration

Continued

The table below summarises the remuneration structure for the wider workforce.

Element	Wider workforce remuneration
Salary	<ul style="list-style-type: none"> Salary ranges across all grades are set by reference to external market data, and individual positioning within the set salary ranges will depend on level of experience, responsibility and individual performance A globally consistent Pay Comparator Group, derived from the peer group used by the Remuneration Committee for executive pay benchmarking, is utilised across all levels of the organisation for pay benchmarking purposes, with an appropriate level of flexibility provided to the other employing entities
Pension & Benefits	<ul style="list-style-type: none"> Retirement benefits and other benefit arrangements are provided to employees based on and to reflect local market practice Company pension contribution rates for Executive Directors and the wider UK workforce are aligned
Short-Term Incentive	<ul style="list-style-type: none"> Our International Executive Incentive Scheme (IEIS) is operated consistently across the organisation and has more than 1,700 employees participating. It is designed to reward employees for the delivery of financial, strategic and operational targets IEIS is globally aligned for all managers in senior management roles, including Executive Directors, with a portion of any award receivable deferred in BAT shares for three years and the remaining portion delivered in cash. Both cash and deferred share awards are subject to malus and clawback. Approximately 1,400 employees globally participate in the deferred share plan Corporate annual bonus plans are in operation for employees in corporate functions designed to mirror the basic construct of the IEIS and with performance metrics which align with the IEIS Functional incentive schemes are in operation in non-corporate functions with functional performance metrics incorporated to ensure line of sight for participants
Long-Term Incentive	<ul style="list-style-type: none"> The Group operates two globally aligned discretionary LTI plans designed to reward and retain our senior talent while incentivising long-term business results and shareholder value creation, aligning interests of our senior leaders with those of shareholders LTIP - Performance Share Plan (PSP) awards are granted to the Group's most senior leaders (circa 150), including the Management Board, which are subject to the same performance measures and three-year performance period as for the Executive Directors. Executive Directors' awards are also subject to the additional 2-year extended vesting period. Restricted Share Plan (RSP) awards are granted to circa 1,000 senior leaders globally and are subject to continuous employment conditions during the 3-year vesting period. The Executive Directors do not participate in the RSP. Discretionary share awards are subject to malus and clawback for all participants
All-employee share schemes	<ul style="list-style-type: none"> Our all-employee share schemes are key to fostering a culture of ownership amongst our employees. In the UK, all employees (circa 2,100) are eligible to participate in the Company's all-employee share schemes, the Partnership Share Scheme, the Sharesave Scheme and the Share Incentive Plan

Process in setting Executive Directors' remuneration

The Remuneration Committee considers the budgeted salary increases for the UK-based employee population, the guidance given to managers on the range of salary increases and other remuneration arrangements and employment conditions for all UK-based employees when determining remuneration for the Executive Directors.

It is expected that salary reviews for the Executive Directors will be in line with the approach taken for the general UK employee population, except in exceptional circumstances, such as where a recently appointed Executive Director's salary is increased to reflect his or her growth in the role over time or where significant additional responsibilities are added to the role.

As a key principle, management provides the Remuneration Committee with visibility of the potential impact of proposed changes to the Executive Directors' Remuneration Policy on the wider employee population.

Pay Equality

The Committee reviewed the Pay Equality Reporting suite, which was further expanded in 2022. The intention of our Pay Equality Reporting is to complement the Group's focus on gender balance, and diversity and inclusion, as part of the Group's Diversity & Inclusion (D&I) and Environmental, Social and Governance agendas.

We are going beyond the requirements of the UK Regulations and voluntarily publishing additional data. The truly global scope of our Pay Equality Reporting reflects our commitment to Pay Equity. Through building a more comprehensive picture of gender, ethnicity and pay, we can more accurately measure the progress we are making in advancing a diverse and inclusive culture and ensuring the delivery of fair pay across the Group.

We want to be confident that our pay practices are delivering equal pay globally and that any differences in pay between employees performing equal work are for objective reasons and not related to gender or ethnicity. We are pleased to confirm that the consolidated results of our global pay equity assessment show:

- Women and men are paid within 1% of one another for doing the same work or work of equal value; and
- Ethnically diverse groups and non-ethnically diverse groups are paid within 1% of one other for doing the same work or work of equal value.

This confirms that our global efforts for providing consistent and fair compensation are working.

In October 2022, we received accreditation against the Fair Pay Workplace standard for all countries included in our pay equity reporting. For more information, see page 89.

Workforce engagement

The Board keeps up to date with the current views of our workforce and provides the workforce with information, including on how executive pay and the pay of the wider workforce are aligned, through a combination of engagement methods across multiple channels at different levels of our organisation. These include town halls, works councils, webcasts, global independently managed Speak Up channels, our biennial Your Voice global employee survey, and direct engagement through Directors' market and site visits, where possible.

Feedback from these channels is collected across the Group and are independently analysed to define the priority themes. The consolidated feedback and themes are reviewed by our Board each year as part of our Workforce Voice in the Boardroom programme. This focuses on ensuring the Board understands the views of our workforce, and reviews details of the key themes identified and how we have responded.

The views of our workforce are a key consideration for the Remuneration Committee when reviewing the reward priorities of the organisation. In 2021, we conducted our latest Your Voice global employee survey, with the results of this survey also serving as a factor in shaping the reward agenda of the organisation. The employees' views from the survey were collated and presented to the Remuneration Committee. There continues to be an ongoing dialogue with employees, through a variety of channels, about the Company's pay practices. Through share ownership as a result of our all-employee share schemes, our employees are invited to vote on the Directors' Remuneration Policy and Report at our Annual General Meeting in the same way as our wider shareholders.

In addition to the Workforce Voice in the Boardroom programme (discussed on pages 88 and 140), the Remuneration Committee also receives updates from management on feedback received during the year where relevant to remuneration matters considered by the Remuneration Committee and takes feedback into account as applicable in determining executive remuneration.

The Remuneration Committee is regularly updated on the pay principles and practices in operation across the Group and considers them in relation to the implementation of the Directors' Remuneration Policy, and in ensuring there is an appropriate degree of alignment throughout the Group.

Other Information Relating to Executive Directors' Remuneration for the Year Ended 31 December 2022

Executive Directors' shareholding requirements

Executive Directors are encouraged to build up a high level of personal shareholding to ensure a continuing alignment of interests with shareholders. The shareholding guidelines require Executive Directors to hold ordinary shares equal to the value of a percentage of salary as set out in the table below. The shareholding requirement extends post employment, such that Executive Directors will be required to maintain their shareholding requirement for a period of two years post employment, with a sale restriction mechanism in place for this period.

If, at any time, an Executive Director does not meet the requirements of the shareholding guidelines, the individual may, generally, only sell a maximum of up to 50% of any ordinary shares vesting (after tax) under the Company share plans until the threshold required under the shareholding guidelines has been met. Waiver of compliance with guidelines is permitted with the approval of the Remuneration Committee in circumstances where a restriction on a requested share sale could cause undue hardship. No such applications were received from the Executive Directors during 2022.

Non-Executive Directors are expected to purchase shares in the Company on the open market to build up shareholding in the Company during the term of their appointment.

	No. of eligible ordinary shares held at 31 Dec 2022 ¹	Value of eligible ordinary shares held at 31 Dec 2022 ² £m	Actual percentage (%) of base salary at 31 Dec 2022	Shareholding requirements (% of base salary 31 Dec 2022)	Compliant with shareholding requirement
Jack Bowles ³	374,926	12,305	928%	500%	Yes
Tadeu Marroco	128,054	4,203	523%	400%	Yes

Notes:

1. Eligibility of shares: (a) unvested ordinary shares under the DSBS, which represent deferral of earned bonus, are eligible and count towards the requirement on a net-of-tax basis; (b) unvested ordinary shares under the LTIP are not eligible and do not count towards the requirement during the performance period, but the estimated notional net number of ordinary shares held during the LTIP Extended Vesting Period are eligible and will count towards the requirement; and (c) ordinary shares held in trust under the all-employee share plan are not eligible and do not count towards the shareholding requirement.
2. Value of ordinary shares shown above: this is based on the closing mid-market share price on 31 December 2022 of 3,282p.
3. Included within the number of eligible ordinary shares held at 31 December 2022 are 213,279 shares which have been pledged as security against a personal bank loan by Mr Bowles. The legal title of the shares is not affected by the security arrangement.

Remuneration Report

2022 Annual Report on Remuneration

Continued

The below table details the comparative figures for Chief Executive remuneration for the performance years 2013 to 2022.

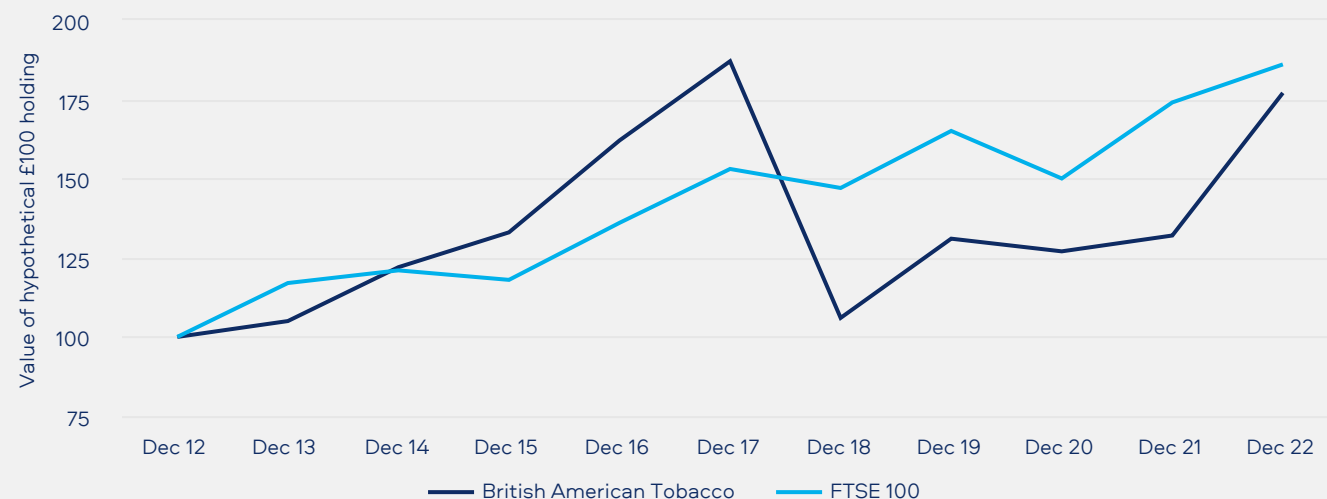
	Nicandro Durante							Jack Bowles			2022
	2013	2014	2015	2016	2017	2018	2019 ¹	2019 ¹	2020	2021	
Chief Executive's 'single figure' of total remuneration (£'000)	6,674	3,617	4,543	8,313	10,244	8,651	3,054	3,512	4,954	8,063	9,617
STI paid against maximum opportunity (%)	81.3%	73.2%	100.0%	100.0%	97.2%	100.0%	50.0%	96.0%	71.1%	85.7%	77.7%
LTI paid against maximum opportunity (%)	49.2%	—%	8.7%	46.0%	96.1%	70.5%	69.3%	69.9%	54.2%	49.1%	58.9%

Note:

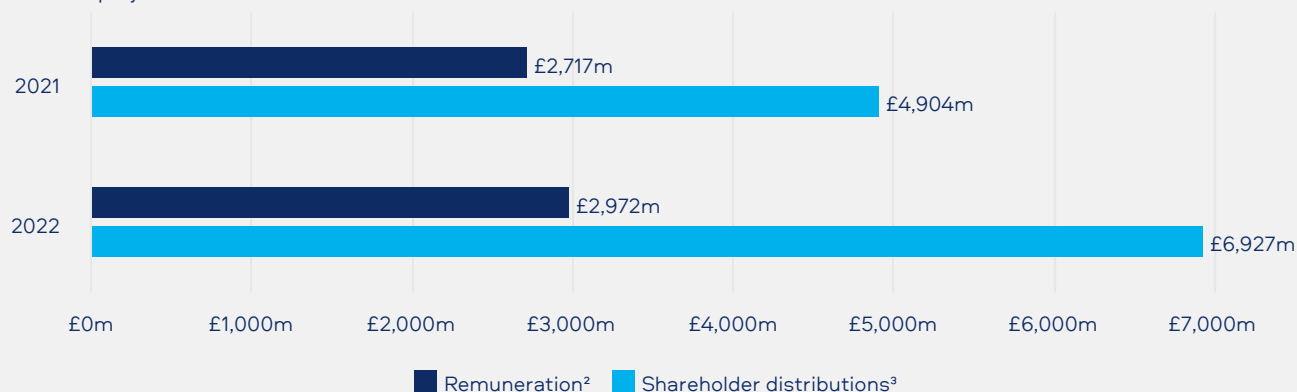
1. For 2019, the 'single figure' has been time-apportioned to reflect the period Jack Bowles and Nicandro Durante served as Chief Executive. Nicandro Durante retired as Chief Executive on 1 April 2019. Historical data is taken from the Directors' Remuneration Reports for the relevant years and is presented (as appropriate) on the basis of the 'single figure' calculation as prescribed in the UK Directors' Remuneration Report Regulations.

Performance graph

The graph below shows the TSR of the Company and the FTSE 100 index over the 10-year period 1 January 2013 to 31 December 2022. The chart shows the growth in value of a hypothetical £100 invested on 31 December 2012. The FTSE 100 index was selected as an appropriate comparator group by the Committee due to the Company's position within the FTSE.

Total shareholder return (TSR) performance: 1 January 2013 to 31 December 2022**Relative importance of spend on pay**

The chart below sets out distributions to shareholders by way of dividends and share buy-backs, and total remuneration paid to employees for the years 2021 and 2022. In 2022, there was a 41.3% increase in distributions to shareholders and a 9.4% increase in total employee remuneration costs.

**Notes:**

2. Remuneration: represents the total employee remuneration costs for the Group, set out on page 212 within note 3 in the Notes on the Accounts.
 3. Shareholder distributions represent the total dividends paid and share buybacks made in 2022 (for 2021, the amount represents the total dividends paid in 2021). For further details please refer to page 104.

Chief Executive Pay Ratio Disclosure

The below table reflects the Chief Executive pay ratio when compared to employees at the 25th percentile, median and 75th percentile of the Group's UK workforce pay for the years 2019, 2020, 2021 and 2022. The table also includes the salary and total remuneration figures for the employees at each percentile for 2022.

Option A uses the total full-time equivalent remuneration for all UK employees for the financial year ended 31 December 2022 and has been used to calculate the ratio as this is viewed to be the most robust and comprehensive means of assessment and is also reflective of shareholder preferences. For the Chief Executive, the total remuneration as provided in the single figure of remuneration table on page 164 has been used.

Year	Method	25th percentile pay ratio	Median pay ratio	75th percentile pay ratio
2022	Option A	175:1	113:1	44:1
2021 ¹	Option A	149:1	97:1	40:1
2020	Option A	103:1	66:1	29:1
2019	Option A	144:1	86:1	36:1

Employees remuneration for 2022	25th percentile	Median	75th percentile
Salary	£36,797	£57,051	£106,678
Total Remuneration ²	£54,841	£85,058	£217,176

Notes:

- 2021 pay ratio figures have been updated to reflect the updated 2021 LTI amounts for the Chief Executive as per the updated single figure on page 164.
- Total Remuneration for the employees is based on the UK employees' data as at 31 December 2022, and is calculated as far as possible on the same basis as the Chief Executive single figure calculation and includes salary, taxable benefits, short-term incentive, long-term incentive, dividends, pension benefits and any other remuneration receivable. For the purposes of this analysis, the following methodology and assumptions have been used:
 - Remuneration is annualised, where applicable, for the earnings period 1 January 2022 to 31 December 2022;
 - For all employees that are eligible for a car benefit, the applicable car allowance amounts have been used;
 - For all employees that participate in the global International Executive Incentive Scheme or equivalent corporate incentive scheme, incentive pay-outs are calculated based on the same metrics;
 - For all employees that participate in the UK DC scheme, Company contributions of 15% of salary have been used;
 - Employees on international assignment into and out of the UK have been included; however, assignment benefits, such as housing support, education support, home leave allowance or relocation costs, have not been included as these are not consistent with the benefits included in the Chief Executive single figure calculation, which is consistent with the approach taken last year;
 - For hourly paid employees who are not full time, total pay and benefits have been pro-rated based on full-time employee hours.

The figures above show that there has been an increase in the Chief Executive's remuneration: Employees pay ratio across all quartiles from 2021 to 2022. The increase is mainly attributable to the Chief Executive's higher 2020 LTIP vesting amount, which reflects delivering better performance against the 2020 LTIP targets as well as circa 26% share price growth over the 3 years. The majority of the UK employees do not participate in a similar type of long-term incentive plan and their overall remuneration is less leveraged compared to the Chief Executive's remuneration with variable pay opportunity accounting for 80% to 90% of total remuneration. As such the Chief Executive pay ratio is likely to continue to vary over time.

Fixed remuneration remained aligned with that of the wider UK-based workforce, with the pension contribution percentage for the Chief Executive remaining aligned with the wider workforce at 15%.

The Company believes the median pay ratio for 2022 reflects the diversity of our business footprint and employee population across the UK. The Group's remuneration policies and practices are founded on a high degree of alignment and consistency, with total remuneration at all levels providing competitive compensation that enables the attraction and retention of talent while also providing equitable differentiated remuneration based on grade, performance and experience. Further details on all-employee remuneration at BAT can be found on page 167.

Remuneration Report

2022 Annual Report on Remuneration
Continued

Chair and Non-Executive Directors' Remuneration for the Year Ended 31 December 2022 – @Audited@

The following table shows a single figure of remuneration for the Chair and Non-Executive Directors in respect of qualifying services for the year ended 31 December 2022, together with comparative figures for 2021.

	Base fee £'000		Chair/Committee membership fees ¹ £'000		Taxable benefits ² £'000		Total remuneration £'000	
	2022	2021	2022	2021	2022	2021	2022	2021
Luc Jobin (Chair) ³	670	523	—	9	59	20	729	552
Kandy Anand (14/02/2022)	85	—	24	—	20	—	129	—
Sue Farr ⁴	114	97	27	27	4	—	145	124
Karen Guerra	97	97	27	27	6	—	130	124
Holly Keller Koeppel ⁵	97	97	55	54	15	—	167	152
Savio Kwan	97	97	27	27	14	—	138	124
Véronique Laury (19/09/2022)	28	—	8	—	—	—	36	—
Dimitri Panayotopoulos ⁶	121	138	55	54	4	1	180	193
Darrell Thomas	97	104	27	29	13	—	137	133
Former Non-Executive Directors								
Marion Helmes (28/04/2022)	32	97	9	27	2	1	43	125
Total	1,438	1,250	259	254	137	22	1,834	1,527

Notes:

- Committee memberships are shown, together with changes during the year, in the reports of the respective committees in the Governance sections of the Directors' Report.
- Benefits for the Chair in 2022 comprised health insurance and 'walk-in' medical services £8,000 (2021: £8,000), the commuting flights to London £47,000 (2021: £3,000), the hotel accommodation £3,600 (2021: £8,300), and the use of a company driver. The benefits for the other Non-Executive Directors principally comprised travel-related expenses incurred in connection with individual and/or accompanied attendance at certain business functions and/or events and 'walk-in' medical services. The figures shown are grossed-up for tax (as appropriate) as, in line with the UK market, it is the normal practice for the Company to pay the tax that may be due on any benefits.
- Pension: Luc Jobin receives a pension in respect of prior service to Imasco Limited (acquired in 2000 by the Group) and Imperial Tobacco Canada Limited, a subsidiary of BAT. In 2022, this amount was CAD\$ 150,228.00 (£94,232.00) (2021: CAD\$150,228.00 (£87,139.21)).
- The 2022 fees reflect Sue Farr's appointment as the Senior Independent Director on 1 August 2022.
- Deferred Compensation Plan for Directors of Reynolds American Inc. (DCP): as a former outside director of Reynolds American Inc. Holly Keller Koeppel participated in the DCP under which she elected to defer payment of a portion of her Reynolds American retainers and meeting attendance fees to a Reynolds American stock account. Following the acquisition of Reynolds American by BAT, amounts deferred to a stock account (Deferred Stock Units or DSUs) mirror the performance of, and receive dividend equivalents based on, BAT American Depository Shares (ADSs). The DSUs of Holly Keller Koeppel are disclosed as a note to 'Summary of Directors' share interests'. DSUs deferred under the DCP will be paid in accordance with the terms of the DCP, section 409A of the US Internal Revenue Code of 1986, as amended, and the Director's existing deferral elections.
- The 2022 and 2021 fees reflect Dimitri Panayotopoulos's tenure as the Senior Independent Director (May 2020 -July 2022).

As described in the Annual Report on Remuneration for the year ended 31 December 2021, the Chair's fee was £670,000 from 28 April 2022.

Payments to past Directors or for loss of office @audited@

There were no payments to past Directors or for loss of office.

Remuneration policy implementation for 2023

Base Salary for 2023

The Remuneration Committee has determined the following salaries for the Executive Directors.

The Remuneration Committee has considered a number of factors in determining the appropriate salary review for the Executive Directors, including: the average salary increase for the wider workforce in the UK, the contribution of the Executive Directors, and the underlying Company performance in 2022.

	Base salary from 1 Apr 2022 £	Base salary from 1 Apr 2023 £	Percentage change %
Executive Directors			
Jack Bowles	£1,325,610	£1,385,300	4.5%
Tadeu Marroco	£803,400	£843,600	5.0%

Pensions and Benefits

No changes have been made to the pension and benefits provision for Executive Directors, noting that the pension provision for Executive Directors has been aligned with the wider UK workforce since 2019.

Short-Term Incentive for 2023

STI opportunity levels for Executive Directors will be in line with those set out in our Directors' Remuneration Policy. STI performance measures and weightings are set out to the right.

The STI performance measures and weightings will remain unchanged for 2023. The performance measures continue to support the prioritisation of New Categories performance aligning with our transformation strategy whilst also incentivising continued strong financial performance for the Group.

2023 STI performance measures and weightings

Volume share growth ¹ (inc THP)	10%
New Categories revenue ²	15%
New Categories contribution ³	20%
Adjusted profit from operations	25%
Adjusted cash generated from operations ⁴	30%
Total	100%

Notes:

- Group share of key markets will include THP performance for all major markets (markets included are Japan, South Korea, Italy, the Czech Republic, Poland, Greece, Hungary, Romania, Malaysia, Kazakhstan and Switzerland).
- New Categories revenue is the revenue derived from the Vapour, THP and Modern Oral product categories. This performance measure is assessed at constant rates of exchange.
- New Categories contribution is the contribution to APFO from Vapour, THP and Modern Oral products. It is stated after deduction of directly attributable costs and allocated cross-category shared costs, before the deduction of administrative overheads and excluding the impact of adjusting items in line with the policy for APFO. The measure is assessed at constant rates of exchange.
- Net cash generated from operating activities, less net finance costs, net capital expenditure, dividends from associates and dividends paid to non-controlling interests and before cash paid/received in respect of litigation. Adjusted CGFO is measured at constant rates of exchange.

Due to the commercial sensitivity of the targets, details for the year ending 31 December 2023 will be disclosed retrospectively in the Annual Report on Remuneration for the year ending 31 December 2023.

Long-Term Incentive for 2023

The Chief Executive and Finance and Transformation Director will be granted an LTIP - Performance Share Plan award equal to a maximum of 500% of salary and 400% of salary, respectively. The measures and targets for the 2023 LTIP - Performance Share awards are set out to the right.

The changes made to performance measures in 2022 remain relevant for the Group. They are aimed to reflect more directly our corporate purpose, and our transformation and ESG agendas, with the New Categories revenue growth measure as an imperative for delivery of long-term sustainable growth. Relative TSR remains an important measure, helping to maintain alignment with shareholder interests. For 2023, Swedish Match has been removed from the TSR peer group following its acquisition by Philip Morris International.

The performance measures, weightings and targets will remain unchanged for the 2023 LTIP - Performance Share Plan awards.

LTIP measures	Weighting	Threshold (15%)	Maximum (100%)
Relative TSR ¹	20%	Median	Upper Quartile
EPS growth (at constant and current rates of exchange)	30%	5%	10%
Revenue growth	15%	3%	5%
Growth in New Categories revenue	15%	20%	30%
Operating cash flow conversion ratio	20%	85%	95%
Total	100%		

Note:

- The 2023 TSR peer group constituents (14 companies) are: Altria Group, Anheuser-Busch InBev, Carlsberg, Coca-Cola, Diageo, Heineken, Imperial Brands, Japan Tobacco, PepsiCo, Pernod Ricard, Philip Morris International, Procter & Gamble, Reckitt Benckiser, and Unilever.

Remuneration Report

2022 Annual Report on Remuneration

Continued

The 2023 Non-Executive Directors' fees structure is set out in the table

The Chair's fee and the fees for Non-Executive Directors have been reviewed with the changes below to apply in May 2023. Adjustments to fees have taken into consideration the increasing demands placed on the Board, the strategic agenda of the business, the complexity of the sector and the approach to salary adjustments among the wider UK workforce. The Chair's fee will be adjusted by 4% and the fees of Non-Executive Directors, when viewed in aggregate, will be adjusted by 5%.

	Fees from 1 May 2023 £	Fees to 30 April 2022 £
Chair's fee	697,000	670,000
Base fee	101,700	96,850
Senior Independent Director – supplement	41,500	41,500
Audit Committee: Chair	42,000	42,000
Audit Committee: Member	15,400	14,400
Nominations Committee: Chair	—	—
Nominations Committee: Member	13,200	12,800
Remuneration Committee: Chair	42,000	42,000
Remuneration Committee: Member	15,400	14,400

Other disclosures

Annual change in remuneration of Directors and employees

The following table shows the percentage change in the Directors' remuneration measured against a comparator group comprising the UK employee population across all UK entities. This comparator group is considered to be the most appropriate group due to the limited number of employees employed under BAT p.l.c. contracts outside of the Director group. In addition, using a more widely-drawn group encompassing the worldwide nature of the Group's business would also present practical difficulties in collation and a less relevant comparator given the significant variations in employee pay across the Group, the differing economic conditions and wide variations in gross domestic product per capita.

	% change in salary/fees			% change in taxable benefits ¹			% change in STI		
	2021 to 2022	2020 to 2021	2019 to 2020	2021 to 2022	2020 to 2021	2019 to 2020	2021 to 2022	2020 to 2021	2019 to 2020
Executive Directors									
Jack Bowles	1%	5%	7%	(9%)	(37%)	84%	(9%)	26%	(21%)
Tadeu Marroco ²	0%	4%	5%	57%	(33%)	22%	(9%)	25%	(24%)
Chair									
Luc Jobin ³	28%	334%	2%	197%	24%	(79%)	n/a	n/a	n/a
Non-Executive Directors									
Darrell Thomas ⁴	(6%)	n/a	n/a	0%	n/a	n/a	n/a	n/a	n/a
Dimitri Panayotopoulos	(12%)	9%	21%	591%	(78%)	(88%)	n/a	n/a	n/a
Holly Keller Koepfel	0%	1%	2%	4907%	(99%)	(82%)	n/a	n/a	n/a
Karen Guerra ⁵	0%	0%	n/a	4177%	0%	n/a	n/a	n/a	n/a
Kandy Anand ⁶	0%	0%	0%	0%	0%	0%	n/a	n/a	n/a
Dr Marion Helmes	(67%)	1%	2%	138%	(72%)	(77%)	n/a	n/a	n/a
Savio Kwan	0%	1%	2%	4667%	(97%)	(84%)	n/a	n/a	n/a
Sue Farr	18%	1%	2%	931%	0%	(100%)	n/a	n/a	n/a
Véronique Laury ⁷	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a
Average UK-based employee⁸	5%	6%	3%	2%	(1%)	1%	2%	20%	(5%)

Notes:

- Changes in taxable benefit values for 2022 vs 2021 and 2021 vs 2020 for Non-Executive Directors were primarily a result of COVID-related travel restrictions in 2021 and 2020 with minimum or no travel compared to 2022 when COVID-related restrictions were lifted, as well as subsistence costs associated with business functions due to COVID-related travel restrictions throughout 2020 and 2021. Further details of the taxable benefits figures can be found in the table on page 172.
- Tadeu Marroco was appointed as an Executive Director from 5 August 2019. For the period 5 August 2019 to 31 December 2019, annualised figures have been used to calculate the year-on-year change.
- Luc Jobin was appointed Chair from 28 April 2021. The change in fees from 2020 to 2021 is due to the increase in fees received following the appointment.
- Darrell Thomas was appointed to the Board on 7 December 2020, receiving no fees or taxable benefits in 2020. Accordingly, no year-on-year change figures have been included.
- Karen Guerra was appointed to the Board on 14 September 2020. For the period 14 September 2020 to 31 December 2020, annualised figures have been used to calculate the year-on-year change.
- Kandy Anand was appointed to the Board on 14 February 2022. Accordingly, no year-on-year change figures have been included.
- Véronique Laury was appointed to the Board on 19 September 2022. Accordingly, no year-on-year change figures have been included.
- The data for the UK-based employees comparator group are made up as follows as at 31 December 2022: (1) the weighted average base salaries; (2) the average taxable benefits per grade; and (3) the weighted average bonus result based on that population as at that date.

Directors' Share Interests

Summary of Directors' Share Interests – [®] Audited [®]

	Outstanding scheme interests 31 Dec 2022					
	Ordinary shares held at 31 Dec 2022	Unvested awards subject to performance conditions and continued employment (LTIP)	Unvested awards subject to continued employment only (DSBS)	Unvested interests (Sharesave)	Total ordinary shares subject to outstanding scheme interests	Total of all interests in ordinary shares at 31 Dec 2022
Executive Directors						
Jack Bowles ¹	257,093	746,087	137,481	–	883,568	1,140,661
Tadeu Marroco ²	96,013	328,818	63,440	1,057	393,315	489,328
Chair						
Luc Jobin ³	90,236					90,236
Non-Executive Directors						
Sue Farr	–	–	–	–	–	–
Véronique Laury	–	–	–	–	–	–
Holly Keller Koeppel ⁴	–	–	–	–	–	–
Savio Kwan	17,028	–	–	–	–	17,028
Karen Guerra	8000	–	–	–	–	8,000
Darrell Thomas ³	4,600	–	–	–	–	4,600
Dimitri Panayotopoulos	3,300	–	–	–	–	3,300
Kandy Anand ³	3,605	–	–	–	–	3,605
Marion Helmes ⁵	4,500	–	–	–	–	4,500

Changes from 31 December 2022: Tadeu Marroco: purchases of 4 ordinary shares on 4 January 2023 and 5 ordinary shares on 1 February 2023 under the SIP. Jack Bowles and Tadeu Marroco: delivery of 675 and 311 ordinary shares respectively on 6 February 2023, representing dividend equivalents due on outstanding DSBS awards in respect of the quarterly dividend paid to shareholders on 2 February 2023. There were no changes in the interests of the Chair and the other Non-Executive Directors.

Notes:

- Jack Bowles:** ordinary shares held include 968 held by the trustees of the BAT Share Incentive Plan (SIP). The unvested LTIP awards figure include 86,677 shares which are no longer subject to performance conditions but are still within the two-year extended vesting period.
- Tadeu Marroco:** ordinary shares held include 1,581 held by the trustees of the SIP.
- American Depositary Shares (ADSs):** each of the interests in ordinary shares held by Luc Jobin, Darrell Thomas and Kandy Anand consists of an equivalent number of BAT ADSs each of which represents one ordinary share in the Company.
- Holly Keller Koeppel:** at the date of this report Holly Keller Koeppel, being a former director of Reynolds American Inc. and a participant in the Deferred Compensation Plan for Directors of Reynolds American (DCP), holds Deferred Stock Units (DSUs) which were granted prior to becoming a Director of BAT. In accordance with an election made by Holly Keller Koeppel in December 2016, a proportion of her DSUs representing her fees as a director of Reynolds American Inc. for 2017 are payable from January 2023 over a period of 10 years, with the remainder of her DSUs (representing her fees as a director of Reynolds American Inc. in prior years) becoming payable following her cessation as a Director of BAT. Each DSU entitles the holder to receive a cash payment equal to the value of one BAT ADS. The number of DSUs increases on each dividend date by reference to the value of dividends declared on the ADSs underlying the DSUs. Ms Koeppel currently holds 28,928 DSUs (2021: 26,660.09 DSUs).
- Marion Helmes:** holdings are as of the date of departure (28/04/2022).

Remuneration Report

2022 Annual Report on Remuneration
ContinuedExecutive Directors' outstanding scheme interests – [®]Audited[®]

	Plan	At 1 Jan 2022	Awarded in 2022	Lapsed in 2022	Exercised/ released in 2022	At 31 Dec 2022	Exercise/ vest price (p)	End of performance period	Date from which award is exercisable or shares released
Jack Bowles	2019 LTIP ^{1,2}	176,532	–	89,855	–	86,677	–	31-Dec-21	28-Mar-24
	2020 LTIP ^{1,3}	223,129	–	–	–	223,129	–	31-Dec-22	30-Mar-25
	2021 LTIP ^{1,4}	230,314	–	–	–	230,314	–	31-Dec-23	30-Mar-26
	2022 LTIP ^{1,4}	–	205,967	–	–	205,967	–	31-Dec-24	25-Mar-27
	2019 DSBS	26,192	–	–	26,192	–	3,299	–	28-Mar-22
	2020 DSBS	53,618	–	–	–	53,618	–	–	30-Mar-23
	2021 DSBS	40,052	–	–	–	40,052	–	–	29-Mar-24
	2022 DSBS	–	43,811	–	–	43,811	–	–	25-Mar-25
	Sharesave	–	–	–	–	–	–	–	–
	Sharesave	–	–	–	–	–	–	–	–
Tadeu Marroco	2019 LTIP ^{1,2}	36,057	–	18,101	17,956	–	3,294	31-Dec-21	26-Mar-22
	2020 LTIP ^{1,3}	113,938	–	–	–	113,938	–	31-Dec-22	30-Mar-25
	2021 LTIP ^{1,4}	115,017	–	–	–	115,017	–	31-Dec-23	30-Mar-26
	2022 LTIP ^{1,4}	–	99,863	–	–	99,863	–	31-Dec-24	25-Mar-27
	2019 DSBS	13,233	–	–	13,233	–	3,299	–	28-Mar-22
	2020 DSBS	24,388	–	–	–	24,388	–	–	30-Mar-23
	2021 DSBS	18,727	–	–	–	18,727	–	–	29-Mar-24
	2022 DSBS	–	20,325	–	–	20,325	–	–	25-Mar-25
	Sharesave	433	–	–	–	433	–	–	01-May-24
	Sharesave	624	–	–	–	624	–	–	01-May-25

Notes:

1. LTIP awards granted in 2019 take the form of performance-related nil-cost options which may be exercised following vesting. LTIP awards granted in 2020 and subsequently take the form of performance-related conditional awards (referred to as "LTIP - Performance Share Plan awards") under which shares are released automatically following vesting.
2. Details of the performance condition for the LTIP awards granted in 2019 (which vested during 2022), and of achievement against that condition in the period to 31 December 2021, were set out in the Annual Report on Remuneration for the year ended 31 December 2021.
3. Details of the performance condition attached to 2020 LTIP awards, and of achievement against that condition in the period to 31 December 2022, are set out on page 166.
4. Details of the performance condition attached to 2021 and 2022 LTIP awards are set out in the table below, on page 177.

Further details in relation to performance conditions attaching to outstanding scheme interests

	LTIP awards granted in 2021			LTIP awards granted in 2022		
	1 January 2021–31 December 2023			1 January 2022–31 December 2024		
	Weighting	Threshold (15% vests)	Maximum (100% vests)	Weighting	Threshold (15% vests)	Maximum (100% vests)
Relative TSR¹ Ranking against a peer group of international FMCG companies	20%	Median	Upper quartile	20%	Median	Upper quartile
EPS growth at current rates of exchange Compound annual growth (CAGR) in adjusted diluted EPS measured at current rates of exchange	20%	5% CAGR	10% CAGR	15%	5% CAGR	10% CAGR
EPS growth at constant rates of exchange Compound annual growth (CAGR) in adjusted diluted EPS measured at constant rates of exchange	20%	5% CAGR	10% CAGR	15%	5% CAGR	10% CAGR
Revenue growth Compound annual growth (CAGR) measured at constant rates of exchange	20%	3% CAGR	5% CAGR	15%	3% CAGR	5% CAGR
New Categories revenue growth Compound annual growth (CAGR) measured at constant rates of exchange	n/a	n/a	n/a	15%	20% CAGR	30% CAGR
Operating cash flow conversion ratio Measured at current rates of exchange, as a percentage of APFO	20%	85%	95%	20%	85%	95%

Note:

1. Following Philip Morris International's acquisition of Swedish Match and the delisting of Swedish Match, the TSR peer group for the LTIP award granted in 2022 has been updated to remove Swedish Match as a constituent. The relative TSR peer group constituents for the LTIP award in 2022 will therefore be: Altria Group, Anheuser-Busch InBev, Carlsberg, Coca-Cola, Diageo, Heineken, Imperial Brands, Japan Tobacco, PepsiCo, Pernod Ricard, Philip Morris International, Procter & Gamble, Reckitt Benckiser, and Unilever.

Directors and Management Board

No Directors or Management Board Members own more than 1% of the ordinary shares in issue. At 6 February 2023, the Directors and Management Board collectively held interests (or their calculated equivalents) under the Company share options schemes of: 1,185,455 ordinary shares, 821,363 restricted share units, 2,049,463 performance share units, 99,368 options over ordinary shares and 28,928 deferred share units.

Shareholder dilution – Options and awards outstanding

Satisfaction of Company share plan awards in accordance with the Investment Association's Principles of Remuneration	New ordinary shares issued by the Company during the year ended 31 December 2022
<ul style="list-style-type: none"> – by the issue of new ordinary shares; – ordinary shares issued from treasury only up to a maximum of 10% of the Company's issued share capital in a rolling 10-year period; – within this 10% limit, the Company can only issue (as newly issued ordinary shares or from treasury) 5% of its issued share capital to satisfy awards under discretionary or executive plans; and – the rules of the Company's DSBS do not allow for the satisfaction of awards by the issue of new ordinary shares. 	<ul style="list-style-type: none"> – 249,632 ordinary shares issued by the Company in relation to the Sharesave Scheme; – a total of 825,031 Sharesave Scheme options over ordinary shares in the Company were outstanding at 31 December 2022, representing 0.04% of the Company's issued share capital (excluding shares held in treasury); and – options outstanding under the Sharesave Scheme are exercisable until 1 June 2028 at option prices ranging from 2,076p to 4,056p.

Remuneration Report

2022 Annual Report on Remuneration Continued

The Remuneration Committee Governance

Remuneration Committee current members

Dimitri Panayotopoulos (Chair)

Kandy Anand

Sue Farr

Savio Kwan

Role

As set out in the Terms of Reference, the Remuneration Committee is responsible for:

- determining and proposing the Directors' Remuneration Policy (covering salary, benefits, performance-based variable rewards and retirement benefits) for shareholder approval;
- determining, within the terms of the approved Directors' Remuneration Policy, the specific remuneration packages for the Chair and the Executive Directors, on appointment, on review and, if appropriate, any compensation payment due on termination of appointment;
- the setting of targets applicable for the Company's performance-based variable reward schemes and determining achievement against those targets, exercising discretion where appropriate and as provided by the applicable scheme rules and the Directors' Remuneration Policy;
- reviewing Group workforce remuneration and related policies, and the alignment of incentives and rewards with Group culture, taking these into account when setting the policy for Executive Director remuneration. Providing feedback to the Board on workforce reward, incentives and conditions applicable across the Group and supporting the Board's monitoring of the Group's culture and its alignment with the Group's purpose, values and strategy;
- setting remuneration for members of the Management Board and the Company Secretary; and
- monitoring and advising the Board on any major changes to the policy on employee benefit structures for the Group.

Attendance at meetings in 2022¹

Name	Member since	Meeting attendance Attended/Eligible to attend
Dimitri Panayotopoulos	2015	6/6
Kandy Anand ^{2(b)}	2022	5/5
Sue Farr ^{1(b)}	2016	5/6
Savio Kwan ^{2(c)}	2016	6/6
Marion Helmes ^{2(d)}	2019 - 2022	2/2

Notes:

- Number of meetings in 2022: (a) the Committee held six meetings in 2022, two of which were ad hoc; (b) Sue Farr did not attend the ad hoc meeting in February 2022 convened at short notice due to prior commitments.
- Membership: (a) all members of the Committee are independent Non-Executive Directors in accordance with the UK Corporate Governance Code 2018 Provisions 10 and 32 and applicable NYSE listing standards; (b) Kandy Anand became a Committee member on 14 February 2022 upon his appointment to the Board; (c) Savio Kwan will step down from the Committee with effect from the conclusion of the AGM on 19 April 2023; and (d) Marion Helmes stepped down from the Committee with effect from the conclusion of the AGM on 28 April 2022.

Other attendees: the Chair, the Chief Executive, the Director, Talent, Culture and Inclusion, the Group Head of Reward and other senior management, including the Company Secretary, may be consulted and provide advice, guidance and assistance to the Remuneration Committee. They may also attend Committee meetings (or parts thereof) by invitation. None of the Chair, any Executive Director or member of senior management plays any part in determining their own respective remuneration.

Independence and advice

PricewaterhouseCoopers LLP (PwC): Appointed in January 2020 as one of the Remuneration Committee's remuneration consultants. PwC continued to provide independent advice to the Committee in 2022 and a representative of PwC attended Remuneration Committee meetings in 2022. PwC advice included, for example, support with market trends and comparator group analysis, updates on market practice, shareholder engagement perspectives and independent measurement of the relative TSR performance conditions. PwC is a member of the Remuneration Consulting Group and, as such, operates under the code of conduct in relation to executive remuneration consulting in the UK. The Committee is satisfied that the advice received is objective and independent. The Committee is comfortable that the PwC advisory team is not involved in any other services PwC group provides to the Company, such as tax, corporate finance and consulting services to Group companies worldwide excluding the US. Total fees for the provision of remuneration advice to the Committee in 2022 were £112,746.

Meridian Compensation Partners (Meridian): Appointed in January 2020 as one of the Remuneration Committee's remuneration consultants. Meridian is a U.S. based advisory firm, continued to provide advice to the Committee in 2022 and a representative of Meridian attended Remuneration Committee's meeting in 2022. Meridian advice included general advice on remuneration matters including market trends, shareholder engagement perspectives and comparator group analysis from the U.S. perspective. The Committee is satisfied that the advice received is objective and independent. Meridian did not provide any other services to the Company. Total fees for the provision of remuneration advice to the Committee in 2022 were \$35,520.

Regular work programme 2022

The Remuneration Committee:

- reviewed the Chair's fee from 1 April 2022, with specific consideration of market positioning, external market environment and the level of salary increases awarded to UK employees;
- reviewed salaries for the Executive Directors to take effect from 1 April 2022, taking into account market positioning, external market environment and the level of salary increases awarded to UK employees. A programme of shareholder engagement on executive remuneration was conducted, led by the Committee Chair, and the Committee considered feedback from shareholders (discussed on page 159);
- reviewed salaries for members of the Management Board and the Company Secretary from 1 April 2022, taking into account market positioning, the external market environment and the level of salary increases awarded to UK employees;
- assessed the achievement against the targets for the 2021 STI award and set the STI targets for 2022;
- reviewed updates on performance against the 2022 STI target measures and for outstanding LTIP awards;
- assessed the achievement against the performance conditions for the vesting of the 2019 LTIP award, determined the contingent level of LTIP awards for March 2022 and reviewed the associated performance conditions;
- assessed the achievement against the targets for the 2021 Share Reward Scheme and set the targets for the 2022 award;
- reviewed and assessed the target ranges across STI and LTI plans to ensure there is an appropriate level of stretch within the target range to drive performance in alignment with the Group's strategic objectives and shareholder interests;
- reviewed the Annual Statement and the Annual Report on Remuneration for the year ended 31 December 2021 prior to its approval by the Board and subsequent proposal to shareholders at the Company's AGM on 28 April 2022;
- reviewed the 2022 AGM voting results relating to remuneration resolutions, market trends in the context of that annual general meeting season and corporate governance developments in the UK and the U.S.;
- monitored the continued application of the Company's shareholding guidelines for the Executive Directors and members of the Management Board; and
- reviewed the Committee's effectiveness following the Board and Committee evaluation process.

Other activities in 2022

The Remuneration Committee:

- determined the revised Directors' Remuneration Policy to be proposed to shareholders at the Company's 2022 AGM, discussed in detail in the Company's Annual Report and Form 20-F for 2021 available on bat.com;
- reviewed the terms of appointment and associated remuneration, and terms of termination of employment, in connection with Management Board changes during the year;
- reviewed elements of the Group's workforce remuneration strategy and their alignment with Executive Directors' remuneration and with the Group's culture, with specific focus on the incentive scheme architecture for management grade employees across the Group;
- considered the broader range of benefits available to UK-based employees, initiatives implemented in the year to enhance those benefits including to support employee health and wellbeing, and feedback from employees on the initiatives implemented;
- approved changes to the methodology for calculating the share of market read for the STI volume share metric in a limited number of markets, based on the local market environment and reporting capabilities;
- reviewed the Pay Equality reporting suite, including UK gender pay reporting for 2021 for applicable UK Group companies, prior to publication in March 2022, as well as voluntary reporting on international gender pay and UK ethnicity pay reporting, and noted the Group's progress on fair pay certification; and
- reviewed the Group's response to the economic environment in 2022, including additional interventions made by the Group to support employees in high inflationary environments.

Remuneration Report

2022 Annual Report on Remuneration

Continued

Voting on Remuneration and Engagement with Shareholders

At the AGM on 28 April 2022, shareholders considered and voted on the 2021 Directors' Remuneration Report and the new Directors' Remuneration Policy as set out in the table below. Both resolutions were approved by shareholders at the AGM on 28 April 2022. A summary of this policy is provided on page 163. No other resolutions in respect of Directors' remuneration or incentives were considered at the 2022 AGM. Further information regarding shareholder engagement in relation to remuneration matters is set out in the Annual Statement on Remuneration on page 159 and in the discussion of Board engagement with shareholders on pages 136 and 137.

Approval of Directors' Remuneration Report ¹ and Policy ²		
	Directors Remuneration Report 2022 AGM	Directors Remuneration Policy 2022 AGM
Percentage for	95.61	94.85
Votes for (including discretionary)	1,659,386,864	1,663,434,518
Percentage against	4.39	5.15
Votes against	76,194,044	90,313,970
Total votes cast excluding votes withheld	1,735,580,908	1,753,748,488
Votes withheld ³	20,978,332	2,811,496
Total votes cast including votes withheld	1,756,559,240	1,756,559,984

Notes:

1. Directors' Remuneration Report: does not include the part of the Remuneration Report containing the Directors' Remuneration Policy (see note 2 below).
2. Directors' Remuneration Policy: was approved by shareholders at the 2022 AGM held on 28 April 2022 and is set out in full in the 2021 Annual Report on Remuneration.
3. Votes withheld: these are not included in the final proxy figures as they are not recognised as a vote in law.

The Directors' Remuneration Report has been approved by the Board on 08 February 2023 and signed on its behalf by:

Dimitri Panayotopoulos

Chair, Remuneration Committee

08 February 2023

Governance

Responsibility of Directors

Statement of Directors' Responsibilities in Respect of the Annual Report and the Financial Statements®

The Directors are responsible for preparing the Annual Report and the Group and Parent Company financial statements in accordance with applicable law and regulations. Under company law, directors must not approve the Financial Statements unless they are satisfied that they give a true and fair view of the state of affairs of the Parent Company and the Group for that period.

Under the law, directors are required to prepare the financial statements in accordance with UK-adopted international accounting standards and applicable law. The Directors have elected to prepare the Parent Company financial statements in accordance with UK Accounting Standards and applicable law, including FRS 101 'Reduced Disclosure Framework'. In preparing these Group financial statements, the Directors have also elected to comply with International Financial Reporting Standards (IFRS) as issued by the International Accounting Standards Board (IASB).

In preparing each of the Group and Parent Company financial statements, the Directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and estimates that are reasonable, relevant, reliable and prudent;
- state whether Group financial statements have been prepared in accordance with UK-adopted international accounting standards;
- state whether, for the Parent Company financial statements, applicable UK Accounting Standards have been followed, subject to any material departures disclosed and explained in the those statements;
- assess the Group and Parent Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern; and
- use the going concern basis of accounting unless the Directors either intend to liquidate the Group or the Parent Company or to cease operations, or have no realistic alternative but to do so.

The Directors are responsible for keeping adequate accounting records that are sufficient to show and explain the Parent Company's transactions and disclose with reasonable accuracy at any time the financial position of the Parent Company and enable them to ensure that its financial statements comply with the Companies Act 2006. They are responsible for such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error, and have general responsibility for taking such steps as are reasonably open to them to safeguard the assets of the Group and to prevent and detect fraud and other irregularities.

Under applicable law and regulations, the Directors are also responsible for preparing a Strategic Report, Directors' Report, Directors' Remuneration Report and Corporate Governance Statement that comply with applicable law and regulations.

The Directors are responsible for the maintenance and integrity of the Annual Report included on the Company's website. Legislation in the UK governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

In accordance with Disclosure Guidance and Transparency Rule 4.1.14R, the financial statements will form part of the annual financial report prepared using the single electronic reporting format under the TD ESEF Regulation. The auditor's report on these financial statements provides no assurance over the ESEF format.

Directors' Declaration in Relation to Relevant Audit Information®

Having made appropriate enquiries, each of the Directors who held office at the date of approval of this Annual Report confirms that:

- to the best of his or her knowledge and belief, there is no relevant audit information of which the Company's auditors are unaware; and
- he or she has taken all steps that a Director might reasonably be expected to have taken in order to make himself or herself aware of relevant audit information and to establish that the Company's auditors are aware of that information.

Responsibility Statement of the Directors in Respect of the Annual Financial Report®

We confirm that to the best of our knowledge:

- the financial statements, prepared in accordance with the applicable set of accounting standards, give a true and fair view of the assets, liabilities, financial position and profit or loss of the Company and the undertakings included in the consolidation taken as a whole; and
- the Strategic Report and the Directors' Report include a fair review of the development and performance of the business and the position of the Company and the undertakings included in the consolidation taken as a whole, together with a description of the principal risks and uncertainties that they face.

This responsibility statement has been approved and is signed by order of the Board by:

Luc Jobin
Chair

Tadeu Marroco
Finance and
Transformation Director

08 February 2023

British American Tobacco p.l.c.
Registered in England and Wales No. 3407696

® Denotes phrase, paragraph or similar that does not form part of BAT's Annual Report on Form 20-F as filed with the SEC.