

Governance

Chair's Introduction on Governance

The executive team worked closely with the Board in 2023 to refine our A Better Tomorrow™ strategy, further emphasising our purpose and commitment to fostering a collaborative and inclusive culture.

Luc Jobin
Chair

Dear Shareholder,

The Board spends a lot of time engaging with the Group's purpose, strategy, values and culture. In developing these blueprints for sustainable growth, we focus just as keenly on the Group's operational leadership who implement and embed them. The theory, and practice, are always evolving; we take care that they do so in step.

In this context, the Board has overseen a successful transition to our new Chief Executive in 2023, with Tadeu Marroco taking over from Jack Bowles in May.

Tadeu has an outstanding record of developing teams capable of delivering our transformation, with a sharp and consistent focus on strong execution and financial performance. The Board also wholeheartedly supports his collaborative and inclusive leadership style.

We are confident that under Tadeu's leadership, we will continue to evolve as a high-performing consumer goods group that nurtures our people's passion for our consumers and our brands.

Strategic focus

The executive team worked closely with the Board in 2023 to refine our A Better Tomorrow™ strategy and articulate our commitment to Building a Smokeless World. To support this, we have introduced our Strategic Navigator to provide greater insight to our stakeholders.

In parallel, we have evolved the expression of our values with input from our people across the Group, to underpin execution of our strategy and drive a collaborative and inclusive culture.

The Board fully endorses these efforts, recognising that our collective tone can help to foster an environment where open discussion and rigour in decision making can thrive together.

In relation to capital allocation, we keep our active framework under close review and continue to evaluate a range of opportunities to enhance financial flexibility, including disposals and exits from non-strategic markets.

Engagement with our stakeholders

As geopolitical turbulence continued through 2023, the Board has overseen various measures put in place to support impacted colleagues.

We have also overseen the sale of our businesses in Russia and Belarus, with a high degree of regard for the safety and welfare of our people, our legal obligations and the perspectives of our shareholders and wider society.

The Board engages with our people and listens to their perspectives through a range of channels, discussed further on pages 89, 148 and 181. Our Directors travel to different markets and business units annually to meet our people and hear their experiences first hand.

In 2023, members of the Board travelled to Sweden to visit distribution and other facilities. We also took the opportunity to visit trade marketing operations in Romania during the Board's strategy sessions in Bucharest. It was my pleasure to meet with colleagues in both countries, and this engagement was instructive as always. You can read more about the Board's programme of market and site visits on page 140.

In October, the Board completed a review of how the Group engages with our business stakeholders to support the continuing effectiveness of these channels. You can read about how we engage with our stakeholders and take their views into account on pages 144 to 149.

We conducted a full programme of shareholder and investor engagement in 2023. I was pleased to meet with a number of shareholders during the year and, as a Board, we look forward to further dialogue with shareholders ahead of our 2024 AGM.

Delivery with Integrity

Our Standards of Business Conduct (SoBC) express the high standards of integrity we are committed to upholding.

Compliance with our SoBC and our legal obligations are absolute requirements and we will not tolerate any failure to comply with these. Our SoBC and Delivery with Integrity programme are discussed on page 98.

In April 2023, it was announced that agreement had been reached with the DOJ and OFAC to resolve previously disclosed investigations into breaches of sanctions, concerning business activities relating to North Korea between 2007 and 2017. The Company has entered into a deferred prosecution agreement with the DOJ and a civil settlement agreement with OFAC.

Adherence to rigorous ethical and compliance standards has been, and remains, a key priority for the Group. In January 2024, we launched an updated version of our SoBC, developed to maintain strong linkage with our strategy and values and to take into account our stakeholders' expectations and the current regulatory environment.



Board efficacy

Effective oversight of executive transition is a critical part of our long-term success. The Board has given thorough consideration to the restructuring of our Management Board in 2023 to ensure we have the right capabilities to drive our strategy. Having overseen the transition to our new executive management structure, the Nominations Committee turned its focus to succession planning for Non-Executive Directors.

We were delighted to welcome Murray Kessler and Serpil Timuray to the Board in Q4 2023. Their experience in growing consumer product companies will augment our existing expertise. Our Board composition will be further enhanced with the appointment of Soraya Benchikh as Chief Financial Officer from 1 May 2024. Soraya will bring a wealth of financial and commercial expertise to the executive team and I look forward to her joining us.

Reviewing the overall diversity of our Board, I am pleased to report that women currently represent 45% of the Board, and 27% of our Directors are from an ethnic minority background. Promoting diversity in our executive management team and senior management pipeline remains a key focus area for the Board. We are encouraged by the diversity already present in our senior management, particularly increasing strength in representation of ethnic diversity. However, we are keenly aware that we have more to do, and will continue to strive to further improve our gender balance.

As a Board, we review our effectiveness every year. This year, I led an internal review of the Board, its Committees and the Directors. Having discussed the outcomes of this exercise, the Board considers that it continues to function effectively. We also identified some areas in which we can further develop our effectiveness and plan to implement these in 2024. You can read about our review process and its outcomes in detail on pages 152 and 153.

Sue Farr and Dimitri Panayotopoulos will step down from the Board at the close of the 2024 AGM. I would like to thank them for their extensive contributions to the Board over their tenures. From the close of the 2024 AGM, Holly Keller Koepfel will be appointed as Senior Independent Director, Darrell Thomas will succeed Holly as Chair of the Audit Committee and Kandy Anand will succeed Dimitri as the Chair of the Remuneration Committee (subject to re-election at the 2024 AGM).

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 2023, 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.

U.S. 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 383

Board Leadership and Company Purpose

Principle

A. Long-Term Sustainable Success
pages 2 to 120 and 130 to 153

B. Purpose, Values and Culture
pages 6 to 9, 14 to 17 88 to 91, 139, 140 to 143, 148, 149, 153 and 156 to 157

C. Resources and Control Framework
pages 2 to 20, 121 to 129, 138, 139, 143, 153 and 159 to 169

D. Shareholder and Stakeholder Engagement
pages 22 to 23, 89, 144 to 148 and 170 to 181

E. Workforce Engagement, Policies, Practices
pages 72, 88 to 89, 98 to 99, , 139, 140 to 141, 148, 178 to 181

Division of Responsibilities

Principle

F. Leadership of the Board
pages 130 to 153

G. Board Composition and Division of Responsibilities
pages 131 to 135 and 150 to 151

H. Role and Commitment of Non-Executive Directors
pages 132 to 135, 150 to 151 and 155 to 156

I. Board Support
pages 150 to 152

Composition, Succession, Evaluation

Principle

J. Board Appointments, Succession and Diversity
pages 131 to 135, 142 and 154 to 158

K. Board Skills and Experience
pages 132 to 135 and 154 to 155

L. Board Evaluation
pages 152 to 153

Audit, Risk, Internal Control

Principle

M. Internal and External Audit Functions
pages 162 to 169

N. Fair, Balanced and Understandable Assessment
pages 168 and 193

O. Risk Management and Internal Controls
pages 121 to 129, 142 to 143, 159 to 169 and 384

Remuneration

Principle

P. Remuneration Policies and Practices
pages 170 to 192

Q. Development of Policy on Remuneration
pages 170 to 192

R. Judgement and Discretion
pages 170 to 192

+ 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 07 February 2024



Luc Jobin
Chair (64)

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..



Tadeu Marroco
Chief Executive (57)

Nationality: Brazilian

Appointed: Chief Executive since May 2023; Director since August 2019

Experience: Tadeu joined the Group 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 became 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 and later becoming Finance and Transformation Director. He became Chief Executive in May 2023.

Relevant skills and contribution to the Board: Tadeu brings broad significant management, innovation, and strategic leadership to the Board gained in various regional, global finance and general leadership roles across the Group. This enables him to effectively lead the Group and deliver our ambition to build A Better Tomorrow™.

External appointments: No external appointments.



Sue Farr
Senior Independent Director (67)

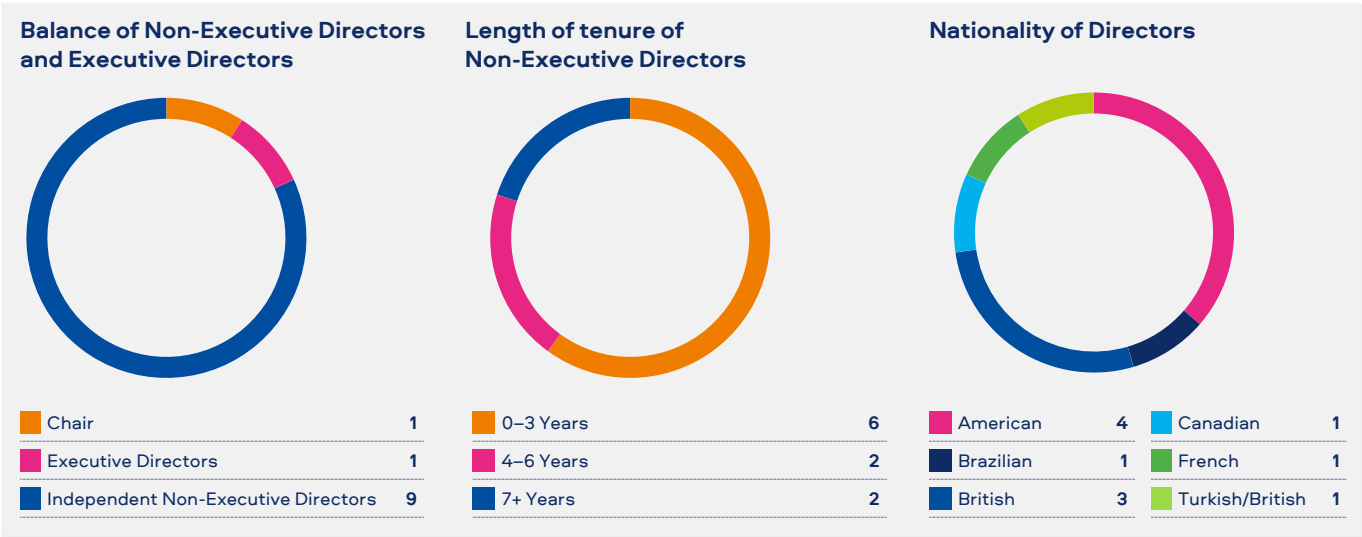
Nationality: British

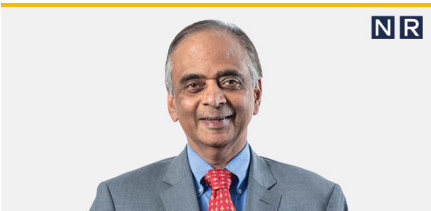
Appointed: Non-Executive Director since February 2015; Senior Independent Director since August 2022

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. She was formerly a Non-Executive Director of Dairy Crest plc, Millennium & Copthorne Hotels plc, Accsys Technologies plc, New Look, and Lookers plc.

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 Unlimited Group Ltd; and Senior Independent Director of THG plc.





Krishnan (Kandy) Anand
Non-Executive Director (66)

Nationality: American

Appointed: February 2022

Experience: Kandy previously held several senior positions at Molson Coors Brewing Company, including Chief Growth Officer, 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.; Chief Executive Officer of Igniting Business Growth L.L.C.; and Chairman and Chief Executive Officer of Igniting Consumer Growth Acquisition Co.



Karen Guerra
Non-Executive Director (67)

Nationality: British

Appointed: September 2020

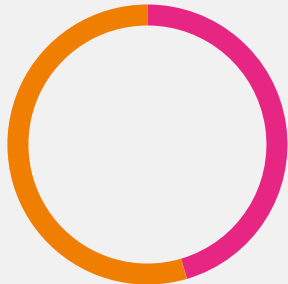
Experience: Karen has held a variety of executive roles, including President and Director General of Colgate Palmolive France, and Chairman and Managing Director of Colgate Palmolive UK Limited. She was formerly a Non-Executive Director of RS Group plc (formerly Electrocomponents p.l.c.), Davide Campari-Milano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

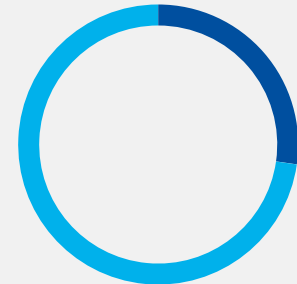
A	Audit Committee
N	Nominations Committee
R	Remuneration Committee
	Committee Chair
	Executive Director
	Non-Executive Director
	Interim Group Finance Director

Directors' gender balance



Male	6
Female	5

Directors' ethnicity balance



Ethnic Minorities ¹	3
White	8

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**Holly Keller Koepfel**

Non-Executive Director (65)

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 Flutter Entertainment plc; Director and the Chair of the Financial Audit Committee of AES Corporation; and Director of Arch Resources Inc..

**Murray S. Kessler**

Non-Executive Director (64)

Nationality: American**Appointed:** November 2023

Experience: Murray previously held several senior positions, including Chief Executive, President and Board Member of Perrigo plc, President, Chief Executive Officer & Chairman of the Board of Lorillard Tobacco Co., Vice Chair of Altria Group, Inc. and President, Chief Executive Officer & Chairman of the Board of UST LLC. Prior to joining UST, Murray had a twelve-year career with Campbell Soup Company, having served as Vice President of Sales and Marketing, General Manager of the Swanson Division of Campbell Soup and other leadership roles.

Relevant skills and contribution to the Board: Murray brings valuable international experience to the Board, particularly in growing consumer product companies and managing regulated businesses.

External appointments: No external appointments.

**Véronique Laury**

Non-Executive Director (58)

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. Véronique previously served on the Board of WeWork Inc..

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 Sodexo SA; Inter IKEA Holding B.V.; Eczacıbaşı Holding Company; and Société Bic S.A..

Attendance at Board meetings in 2023

Name	Director since	Attended/Eligible to attend ¹	
			Meetings ⁴
Luc Jobin	2017		11/11
Tadeu Marroco ^{2(a)}	2019		10/10
Kandy Anand ^{2(b), (d)}	2022		9/10
Sue Farr ^{2(c)}	2015		10/11
Karen Guerra	2020		11/11
Holly Keller Koepfel ^{2(d)}	2017		10/10
Véronique Laury ^{2(e)}	2022		10/11
Murray Kessler ^{3(a)}	2023		1/1
Dimitri Panayotopoulos ^{2(f)}	2015		7/11
Darrell Thomas ^{2(d)}	2020		10/10
Serpil Timuray ^{3(b)}	2023		1/1
Jack Bowles ^{2(a), 3(c)}	2019-2023		5/5
Savio Kwan ^{3(d)}	2014-2023		5/5

Notes:

- Number of meetings in 2023: The Board held eleven meetings in 2023, six of which were ad hoc, to review: Executive Director and Management Board succession planning; an update on Group patents matters; status of DOJ and OFAC investigations; and the sale of the Group's businesses in Russia and Belarus.
- (a) Tadeu Marroco and Jack Bowles were recused from the ad hoc meeting convened in May 2023 to consider succession planning for the role of the Chief Executive; (b) Kandy Anand did not attend the scheduled meeting in February 2023 due to unforeseen personal circumstances; (c) Sue Farr did not attend the ad hoc meeting in January 2023 convened at short notice due to prior commitments; (d) Kandy Anand, Holly Keller Koepfel and Darrell Thomas recused themselves from the ad hoc meeting convened in September 2023 in view of a potential conflict with U.S. sanctions regulations; (e) Véronique Laury did not attend the ad hoc meeting in March 2023 convened at short notice due to prior commitments; (f) Dimitri Panayotopoulos did not attend the ad hoc meetings in March, June and September 2023 and the scheduled meeting in July 2023 due to illness.
- Composition: The Board of Directors is shown as at the date of this Annual Report and Form 20-F; (a) Murray Kessler joined with Board with effect from 6 November 2023 on his appointment as a Non-Executive Director; (b) Serpil Timuray joined the Board with effect from 4 December 2023 on her appointment as a Non-Executive Director; (c) Jack Bowles stepped down from the Board with effect from 15 May 2023; (d) Savio Kwan stepped down from the Board with effect from the conclusion of the AGM on 19 April 2023.
- Number of meetings in 2024: Five Board meetings are scheduled for 2024, with ad hoc meetings convened as may be required.

**Dimitri Panayotopoulos**

Non-Executive Director (72)

Nationality: British**Appointed:** February 2015

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 (63)

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., Pitney Bowes Inc. and Board member of Sojourner Family Peace Center, Inc..

**Serpil Timuray**

Non-Executive Director (54)

Nationality: Turkish/British**Appointed:** December 2023

Experience: Serpil has carried out a number of executive roles, including her current role as CEO of the Europe Cluster at Vodafone Group. Serpil's former roles on Vodafone Group's Executive Committee include Group Chief Commercial Operations and Strategy Officer, and Regional CEO of AMAP (Africa, Middle East, Asia-Pacific). She joined Vodafone in 2009, as CEO of Vodafone Turkey. Prior to joining Vodafone she spent 10 years at Danone, latterly as the CEO of Danone Dairy Turkey. She began her career in 1991 at Procter & Gamble, where she held several marketing roles for eight years and latterly as a member of the Executive Committee in Türkiye. She was previously an independent Non-Executive Director of Danone Group Plc from 2015 to 2023 and the Chair of the Corporate Social Responsibility Committee.

Relevant skills and contribution to the Board:

Serpil brings extensive operational, strategy and marketing experience to the Board, drawn from roles in large companies operating in the technology and fast-moving consumer goods sectors.

External appointments: CEO of Europe Cluster at Vodafone Group; and Non-Executive Director of TPG Telecom Plc.

Governance

Management Board

As at 07 February 2024

**Tadeu Marroco**

Chief Executive (57)

Nationality: Brazilian

Tadeu joined the Group 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 became 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 and later becoming Finance and Transformation Director. He became Chief Executive in May 2023.

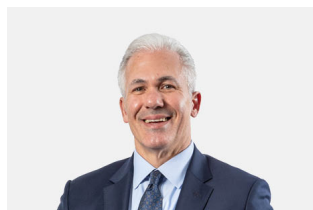
[+ Read more on page 132](#)

**Javed Iqbal**

Interim Finance Director, and Director, Digital and Information (51)

Nationality: Pakistani

Javed joined the Management Board as Director, Digital and Information in April 2022 and was appointed Interim Finance Director on 15 May 2023. He 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.

**Jerome Abelman**

Director, Legal and General Counsel (60)

Nationality: American

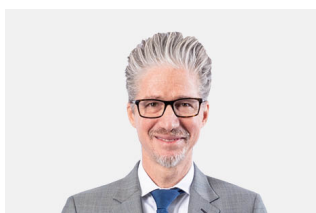
Jerome was appointed Director, Legal Affairs and General Counsel in September 2023, after joining the Management Board as Director, Corporate and Regulatory Affairs in January 2015. In May 2015, he became General Counsel and Director, Legal & External Affairs. He served as a Director on the Board of Reynolds American Inc. from February 2016 until July 2017.

**James Barrett**

Director, Business Development (49)

Nationality: British

James joined the Management Board as Director, Business Development on 1 September 2023. He has been with BAT since 1996, having joined as a Management Trainee and has taken various senior roles in finance, including a number of finance directorships globally, Group Finance Controller, Head of M&A and most recently as Consumer Director, Beyond Nicotine.

**Luciano Comin**

Marketing Director, Combustibles & New Categories (54)

Nationality: Italian/Argentinian

Luciano became Marketing Director, Combustibles & New Categories in July 2023, having 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.

**Michael Dijanosic**

Regional Director, Asia-Pacific, Middle East and Africa (52)

Nationality: Australian

Michael became Regional Director, Asia-Pacific, Middle East and Africa in April 2023, having joined the Management Board on 1 September 2020 in the role of Regional Director, Asia-Pacific and Middle East. 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.

**Zafar Khan**

Director, Operations (51)

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.

**Dr Cora Koppe-Stahrenberg**

Chief People Officer (58)

Nationality: German

Cora joined the Management Board as Chief People Officer on 1 November 2023. Immediately prior to joining BAT, she was Global Head of Human Resources at Fresenius Medical Care, a publicly listed global healthcare company. Previously she held senior HR leadership roles at various multinational companies spanning government and financial services.

**Paul McCrory**

Director, Corporate and Regulatory Affairs (51)

Nationality: Irish

Paul joined the Management Board as Director, Corporate and Regulatory Affairs on 1 September 2023. He has been with BAT since 2006. His previous roles include being Head of Marketing Legal and Assistant General Counsel Corporate and Group Company Secretary.

**Fred Monteiro**

Regional Director, Americas & Europe (57)

Nationality: Brazilian

Fred joined the Management Board on 1 April 2023 as Regional Director for the Americas & Europe. His previous roles include being Area Director for Central Europe South and General Manager of BAT Japan.

**Dr James Murphy**

Director, Research and Science (48)

Nationality: Irish

James was appointed Director, Research and Science on 1 March 2023, having joined the Management Board on 1 February 2023. 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.

**David Waterfield**

President and CEO, Reynolds American Inc. (51)

Nationality: British

David joined the Management Board as President and CEO of Reynolds American Inc. on 1 July 2023. His previous roles include being Area Director for Western Europe and Head of International Brand Group.

**Kingsley Wheaton**

Chief Strategy & Growth Officer (50)

Nationality: British

Kingsley was appointed Chief Strategy & Growth Officer on 1 September 2023. He joined the Management Board in 2012 and has held various roles since then – most recently as Chief Growth Officer. He joined the Group in 1996 and has held various senior marketing positions, including Managing Director, Next Generation Products, Regional Director, Americas and Sub-Saharan Africa, Chief Marketing Officer and Chief Growth Officer.

**Johan Vandermeulen**

Chief Operating Officer (56)

Nationality: Belgian

Johan was appointed Group's Chief Operating Officer on 1 July 2023. 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 Türkiye and Global Brand Director for the Kent brand.

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 sustainability) 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 performance and effectiveness

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

+ Read more on our Board oversight of M&A transactions on [page 331](#)

Board Committees

Audit Committee

Monitors the integrity of financial reporting and consistency of accounting policies; internal controls and risk management systems; assurance of sustainability metrics; independence and effectiveness of the external auditors; and effectiveness of the internal audit function.

+ See [page 159](#) for role and activities
Terms of reference at bat.com/governance

Nominations Committee

Reviews the structure and composition of the Board and Management Board; recommends Board and Management Board appointments; oversees development of the executive talent pipeline; implements the Board Diversity & Inclusion Policy.

+ See [page 154](#) 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 Directors; sets remuneration for Management Board members and the Company Secretary; sets and determines performance against targets for incentive schemes.

+ See [page 190](#) 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.

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.

Management Board

Management Board structure, role and responsibilities are discussed on [page 139](#).

+ 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 139](#))

Board Leadership

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 138.

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

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 2023 are identified within the key performance indicators set out on page 10. Its key activities during the year are set out on pages 142 to 143. The Chair sets structured meeting agendas in consultation with the Chief Executive and the Company Secretary.

As part of the Board meeting in October 2023 convened in Romania, the Board held strategy sessions over four days with members of executive management to assess the Group's strategy and long-term growth opportunities, strategic priorities, progress on key initiatives, and key challenges, risks and mitigation plans.

The Board's consideration of stakeholder interests and environmental and societal factors is fully embedded into Board decision-making, strategy development and risk assessment 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 149.

The continued impact of the conflict in Ukraine remained an important focus for the Board in 2023 and the Board closely oversaw the process towards the sale of the Group's businesses in Russia and Belarus, which was completed and announced in September 2023 (see page 280).

Throughout this process, the Board gave careful attention to measures deployed to support the safety and welfare of our people in the region, the impact of the conflict on other stakeholders and the Group's supply chain, compliance with international sanctions and other applicable regulations, and reputational considerations in the context of the transaction and the Group's broader operations in the region.

How our governance framework supports our strategy

An overview of our governance framework, including the structure of the Board and its principal Committees, is set out on page 138. Certain key decisions and matters are reserved for the Board and are not delegated to any Committees or executive management.

In 2023, the Board adopted a refreshed internal governance framework, including revised terms of reference for its Committees, to reflect the Group's new executive management structure and to maintain alignment with evolving market practice.

As part of our internal controls framework, the Board has delegated certain authorities to executive management through the Group Statement of Delegated Authorities (SoDA) to enable effective delivery of our strategy. Revisions to the SoDA were introduced in 2023 to support implementation of the Group's new regional and executive management structures.

Our SoDA is designed to empower management at the right level of our organisation and promote accountability and ownership. Overseeing the implementation of the 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 accordance with their directors' duties.

Management Board

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.

Management Board structure

The Management Board is chaired by the Chief Executive and comprises the Chief Executive and 13 senior executives whose names and roles are described on pages 136 to 137.

A series of changes to the structure and composition of the Management Board were announced during 2023, including to reflect the Group's new regional structures that took effect on 1 April 2023, and to sharpen focus on improved execution and operational excellence and enhance key capabilities.

Subsequent to the changes summarised in the Company's Half Year Report for the six months ended 30 June 2023, Cora Koppe-Stahrenberg was appointed to the Management Board as Chief People Officer reporting to the Chief Executive, with effect from 1 November 2023. Soraya Benchikh will join the Management Board on her appointment as Chief Financial Officer from 1 May 2024.

Board Leadership and Purpose

Values and Culture

Our Purpose and Values

Our purpose, for A Better Tomorrow™: Building a Smokeless World, is underpinned by our values. These build on the strong foundations of the BAT ethos and are designed to act as a clear and authentic guide for our culture and behaviours.

In the context of evolution of Group strategy, the Board conducted a thorough assessment of our corporate values and approach to their development to maintain a clear connection to our strategy and purpose, with focus on diversity and inclusion; empowerment and collaboration; and organisational agility. The Board has endorsed a refreshed statement of our values, taking into account a broad range of feedback from across our workforce, including from a balanced cross-section of employee groups. More than one thousand colleagues across the Group participated in focus sessions to contribute their views on developing our values.

Through our values, we strive to empower our people and foster an exciting, rewarding workplace, emphasising inclusivity and collaboration to deliver sustainable growth.

[+ Read more about our values on page 40](#)

[+ Read more about our purpose on page 16](#)

Delivery with integrity

How we execute our strategy is as important as its delivery. Our values emphasise acting with integrity, taking care about our impact on society, and thoughtfulness in decision making. It is critical 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 is regularly reviewed and updated. A revised edition of our SoBC was introduced in January 2024 (discussed on page 149), supported by an extensive awareness campaign across the organisation with emphasis on the role of everyone in the organisation to act as a first line of defence against any conduct that does not meet our standards.

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

The Audit Committee monitors SoBC allegations reported during the year, and reports to the Board to enable Board oversight of any behaviour falling short of our standards and corrective actions taken.



[+ Read more about our commitment to delivery with integrity and our Group Standards of Business Conduct on pages 98 to 99](#)

Shaping and Overseeing Culture

The Board oversees and monitors our culture to enable the Board to be satisfied that it aligns with the Group's purpose, values and strategy, and is reflected consistently in our workplace policies and practices. The Board supports our executive management team in promoting our values in every area of our business.

The Board has considered the Group's culture in a range of contexts throughout the year, including through workforce engagement. Primary indicators used by the Board to gauge organisational culture and key examples of the Board's oversight in 2023 are set out below. The effectiveness of the Board's oversight of culture is considered as part of the annual review of Board effectiveness (see pages 152 to 153).

Connecting directly with our people

Our Directors participate in visits to markets and operations sites during the year, spanning trade marketing and distribution operations, R&D and manufacturing facilities.

These opportunities provide an important lens through which Directors can assess organisational culture in context. Visits are structured to enable informal opportunities for Directors to hear directly from colleagues at different levels of the business and take an on-the-ground pulse check of our corporate culture.



Kandy Anand and Karen Guerra viewing Modern Oral product innovations at the Innovations Lab in Stockholm, Sweden.

In September 2023, Luc Jobin, Kandy Anand, Karen Guerra and Darrell Thomas toured Group operations in Sweden, including a visit to retail locations in Stockholm to understand local distribution capabilities, a virtual tour of modern oral manufacturing at our facilities in Malmö, and an immersive event with members of our Nordics innovation team to see how our Modern Oral product developers work directly with consumers to develop our product pipeline. Their visit concluded with participation in a townhall and Q&A session, attended by more than 300 colleagues from our Western Europe operations.

In October 2023, the Directors¹ attended a market visit in Romania as part of the Board's strategy sessions. The Directors visited retail outlets in Bucharest to see local trade marketing and distribution operations and how our local marketing representatives engage with retailers to promote responsible marketing and age verification.

Since becoming Chief Executive in May 2023, Tadeu Marroco has engaged with colleagues across the regions, visiting the U.S., Germany and Poland in our Central Europe area, and Japan and China in our North Asia-Pacific area, to discuss their views and his insights on priorities for business transformation, including through town hall sessions. The Directors' workforce engagement programme is discussed further at page 148.

Note:

1. All Directors attended this market visit other than Dimitri Panayotopoulos. Mr Panayotopoulos attended the Board strategy meetings in October 2023 via videoconference.

Understanding workforce feedback and perspectives

Insights from a range of workforce engagement channels, including employee focus groups, our global Your Voice employee survey and interviews with leavers, support the Directors' understanding of the views and sentiments of our people and oversight of organisational culture.

Our Your Voice survey is conducted every two years, most recently in 2023, and includes questions to gain feedback on employees' perceptions of culture, leadership, inclusion and wellbeing, and to gain employees' views on opportunities for improvement.

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 89, 148 and 181.

Keeping informed

The Board regularly discussed organisational culture with the Chief Executive and executive management, including through reports from the Chief Executive and the Chief People Officer, provided at Board meetings.

Board briefings included a deep dive review of the Group's talent strategy, which enabled the Board to discuss progress towards key objectives, responses to employee feedback and explore pressure points in the areas of talent retention in senior management, effective integration of new joiners into the organisation and furthering gender diversity in senior management. As part of the Board's Western Europe business review, the Board also reviewed initiatives implemented in Western Europe to support a progressive culture, with resilience to manage through external volatility.

Additionally, the Director, Operations, reported to the Board twice during the year on workforce health and safety standards and performance, including progress towards zero accident site targets and programmes in place to enhance vehicle and driver safety standards.

At the Board strategy sessions held in October 2023, the Directors had the opportunity to consider organisational culture and employee perspectives in depth in the context of working sessions to develop our corporate values, which included a review of employee feedback on core values and opportunities for these to be evolved. The Chief Strategy & Growth Officer also updated the Board with several culture pulse-checks during the year, offering a snapshot of employee perspectives on organisational transformation.



Tadeu Marroco meeting with product developers at the Global Device Development Centre in Shenzhen, China.

Oversight of Group reward frameworks

During the year, the Remuneration Committee reviewed key elements of executive management and wider workforce remuneration frameworks, incentive schemes and non-financial benefits, and their alignment with the culture and strategy of the Group.

In this context, the Committee considered initiatives underway to promote talent retention and progress in the Group's gender and ethnicity pay reporting. The Committee also reviewed the outcomes of the global living wage assessment conducted in 2023 across 100 countries in which the Group operates, discussed further at page 180.

Oversight of business integrity and compliance

In 2023, 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 2023 and action plans agreed with management where areas for improvement were identified.



Speak Up

It can take courage to Speak Up about wrongdoing. The Speak Up process is there to support you in doing so, and give you trust and confidence in how we will treat your concerns.

We Encourage You to Speak Up

Anyone working for or with the Group who is concerned about actual or suspected wrongdoing or wants to help in the investigation of likely wrongdoing should Speak Up.

This includes Employees, contractors, contingent workers, business partners, customers, Suppliers and their workers.



Culture insights and trends

To complement the Board's consideration of organisational culture as illustrated above, the Board reviewed the Group culture dashboard in 2023. 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.

Indicators tracked in the dashboard 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).

Board Leadership and Purpose

Board Activities in 2023

Quality Growth

Inspiring New Categories

Innovations & Brands

- reviewing New Categories performance at Group, regional and key market levels against strategy and key performance indicators, including New Categories revenue, contribution and market share;
- reviewing the outlook for New Categories performance for the Group, regions and the wider industry, consumer product adoption and developments in the competitor landscape;
- reviewing the approach to investment in New Categories and developments in the innovation pipeline across the Vuse, glo and Velo product portfolios;
- reviewing geographic expansion plans for New Categories products in the context of market archetypes and developing regulations; and
- overseeing the Group's New Categories patents portfolio, approach to IP management and ongoing patent litigation.

Managed Combustible Transition

- reviewing combustibles performance at Group, regional and key market levels against strategy and key performance indicators, including revenue and value share growth;
- reviewing combustibles industry outlook, trading environment and competitor landscape from global and regional perspectives; and
- reviewing application of market archetypes to drive value from combustibles to fund New Categories investment and efficient resource allocation, and portfolio complexity reduction, revenue growth management and marketing spend efficiency initiatives.

Beyond Nicotine Foundations

- overseeing strategy to develop opportunities for the Group beyond nicotine in the wellbeing and stimulation category;
- reviewing plans to launch Ryde, a new functional wellness and stimulation brand, in pilot markets, including approach to product stewardship, outcomes of total offer testing and route to market strategy;
- assessing Btomorrow Ventures' performance as a corporate venture capital fund, scope of strategic mandate and approach to maturing its venturing capabilities; and
- overseeing progress in the product development collaboration with Organigram Holdings, Inc.

Dynamic Business

Exciting, Winning Company

- overseeing the transition of the role of Chief Executive and approving the appointment of Tadeu Marroco as Chief Executive and Javed Iqbal as Interim Finance Director with effect from May 2023, on the recommendation of the Nominations Committee;
- approving the appointment of Soraya Benchikh as Chief Financial Officer and as an Executive Director with effect from May 2024;
- approving the appointments of Murray Kessler and Serpil Timuray as Non-Executive Directors and members of the Remuneration and Nominations Committees, on the recommendation of the Nominations Committee;
- succession planning for the role of Senior Independent Director and for the Audit and Remuneration Committee Chairs;
- approving changes to the structure and composition of the Management Board, on the recommendations of the Nominations Committee;
- 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;
- shaping the development and endorsing a refreshed statement of the Group's corporate values;
- monitoring corporate culture and its alignment with the Group's purpose, values and strategy;
- reviewing the Group's talent strategy, diversity and inclusion agenda, and progress against objectives;
- reviewing feedback from the Group's workforce engagement channels;
- 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 outcomes of the internal review of the effectiveness of the Board, its Committees and Directors in 2023;
- reviewing the funding positions relating to the Group's post-employment benefit schemes; and
- approving the introduction of additional malus and clawback arrangements for applicable senior executives, in alignment with U.S. SEC regulation and NYSE rules.

Operational Excellence

- reviewing U.S. business operations and approach to resetting the strategy for our U.S. business, including macro-economic and structural challenges, sharpening portfolio management, and strengthening route-to-market and digital executional excellence to drive quality growth;
- overseeing the implementation of the new regional, business unit structures and organisational design structures across the Group;
- reviewing the Group risk register, and risk appetite in the context of strategic objectives and emerging risks, with focus on emerging cyber security threats, risks related to supply chain disruption and the impact of continued conflict between Russia and Ukraine and the broader geopolitical environment;
- reviewing the development of the Group's strategic market footprint and opportunities for reduction of geographic and supply chain complexities;
- reviewing plans for further complexity reduction programmes, including product portfolio rationalisation and leaf sourcing optimisation strategies;
- assessing the application of the market archetypes framework to drive effective resource allocation;
- reviewing plans for strategic partnerships to optimise the Group's operational network and asset footprint;
- reviewing opportunities to further leverage the Group's Global Business Solutions organisation to drive above-market synergies and embed new capabilities;
- reviewing the Group's information and digital technology (IDT) transformation programme and initiatives underway to drive productivity through enhanced use of technology and automation, improve data capabilities and simplify the Group's technology landscape; and
- approving revisions to the Group's corporate governance framework and Statement of Delegated Authorities.

Sustainable Future

Capital Effectiveness

- approving the Group budget, reviewing the application of the Group's 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;
- assessing capital efficiency in the context of cash generation and cash flow performance, access to financing, capacity, cost of debt and investments;
- reviewing Group half-year results, trading updates, year-end results and the Annual Report and Form 20-F;
- approving interim dividend proposals and assessing distributable reserves of the Company prior to authorising 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;
- assessing the impact of macro-economic trends on Group performance, outlook and operations due to geopolitical instability and continued inflationary pressures;
- reviewing share price performance and investor and broker perspectives;
- reviewing status of litigation involving Group companies, including updates on the Companies' Creditors Arrangement Act (CCAA) process in relation to Imperial Tobacco Canada;
- reviewing Group insurance coverage; and
- reviewing investments in associates of the Group and their financial performance.

Tobacco Harm Reduction Acceptance

- reviewing strategic focus, initiatives and capabilities in relation to tobacco harm reduction science and advocacy in the context of our ambition to reduce the health impact of our business;
- reviewing the Group's approach to scientific product stewardship underpinning the development of sustainable products;
- reviewing the scope of engagement with scientific and public health stakeholders on tobacco harm reduction science and research, including the role of the External Scientific & Regulatory Panel (see page 147); and
- understanding the digital resources made available to consumers about tobacco harm reduction and New Categories to help consumers make informed product decisions.

Shaping the Landscape

- reviewing strategy for the Corporate & Regulatory Affairs function and approach to proactive engagement with regulators and other external stakeholders;
- reviewing the regulatory landscape in New Categories across key markets, with in-depth insights on regulatory engagement initiatives to progress tobacco harm reduction recognition in Western Europe and regulatory engagement with the U.S. FDA;
- understanding the impact of growth in illicit products, partnerships with stakeholders to help combat illicit trade and regulatory enforcement activities, in the context of combustible products and New Categories;
- reviewing developments in the regulation of single-use vapour products and the impact of regulatory enforcement against illicit single-use vapour products;
- reviewing evolving regulation applicable to combustible products, with focus on the regulation of menthol and flavours in the U.S.; and
- reviewing the impact of evolving tax regimes, including excise tax developments in various markets.

Sustainability & Integrity

- overseeing the Group's sustainability strategy, including climate-related issues, opportunities and risks for the Group, and reviewing performance against the Group's sustainability metrics;
- reviewing environmental performance for the prior year and progress towards achieving the Group's environmental targets, including climate targets aligned to net zero emissions by 2050, renewable energy, water stewardship, waste and recycling, and priorities for the Group's sustainability agenda;
- approving a revised version of the Group Environment Policy effective from July 2023;
- overseeing progress towards the sale of the Group's businesses in Russia and Belarus which completed in September 2023, taking into account the safety and welfare of Group company personnel in the region, impact on other stakeholders and the supply chain, regulatory compliance and reputational considerations;
- approving new Responsible Marketing Principles, to be implemented in 2024;
- reviewing the perspectives of the Group's key stakeholders, the Group's response to stakeholder perspectives, and the effectiveness of engagement mechanisms;
- overseeing the refreshed Sustainability Double Materiality Assessment conducted in 2023, building on the extensive assessment conducted in 2022;
- approving the annual Modern Slavery Act statement and annual Conflict Minerals Report;
- approving updated versions of the Group's Standards of Business Conduct and Supplier Code of Conduct (SCoC), effective from January 2024;
- reviewing the effectiveness of Speak Up channels;
- 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; and
- overseeing the agreement reached with the DOJ and OFAC to resolve investigations into historical business activities, as set out on page 227.

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 Chief Executive's annual engagement programme is discussed below. The Senior Independent Director and other Non-Executive Directors are also available to meet with major shareholders as appropriate.

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 the Chief Executive, supported by the Investor Relations team. The Chief Executive and Finance Director presented our Full-Year results in February 2023 and our Chief Executive and Interim Finance Director presented our Half-Year results and pre-close statements in 2023, with investor Q&A calls. Presentations and transcripts are published on bat.com.

In total we hosted 488 investor meetings in 2023, covering 69% of our shareholder base with broad geographic coverage. Utilising both physical and virtual event formats, our investor engagement programme included attendance at two global investor conferences, nine investor roadshows and two salesforce briefings.

In June 2023, following his appointment as Chief Executive, Tadeu Marroco hosted investor meetings at the Deutsche Bank Global Consumer Conference in Paris, engaging with over 50 international investors.

Tadeu updated investors on our strategic priorities and continued progress on our transformation journey. In September 2023 at the Barclays Global Consumer Conference in Boston, Kingsley Wheaton presented via a live webcast and Q&A to over 200 investors on aspects of our corporate vision and our approach to leveraging our consumer insights and data to support our multi-category strategy. Javed Iqbal joined Kingsley in hosting investor meetings at the Barclays Conference, connecting in person with 40 investors from North America, Europe, UK and Asia.

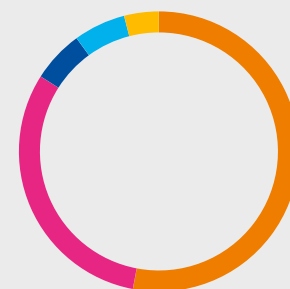
Shareholder communications

A refreshed IR communications approach was launched with the release of the 2023 Half-Year Results to provide further transparency and insight into the focus areas of the Board and the Chief Executive, and the progress being made. The approach includes a more transparent tone, new interactive features in results materials, and bespoke digital tools.

Our investor website enhances our digital interaction with investors. It includes our investment case, our approach to sustainability, 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, with playback slides and transcript available online.

Investor meetings 2023

Geographic scope (%)



United Kingdom	53
United States	31
South Africa	6
Europe (ex UK)	6
Rest of world	4

488

Meetings in 2023

Spotlight

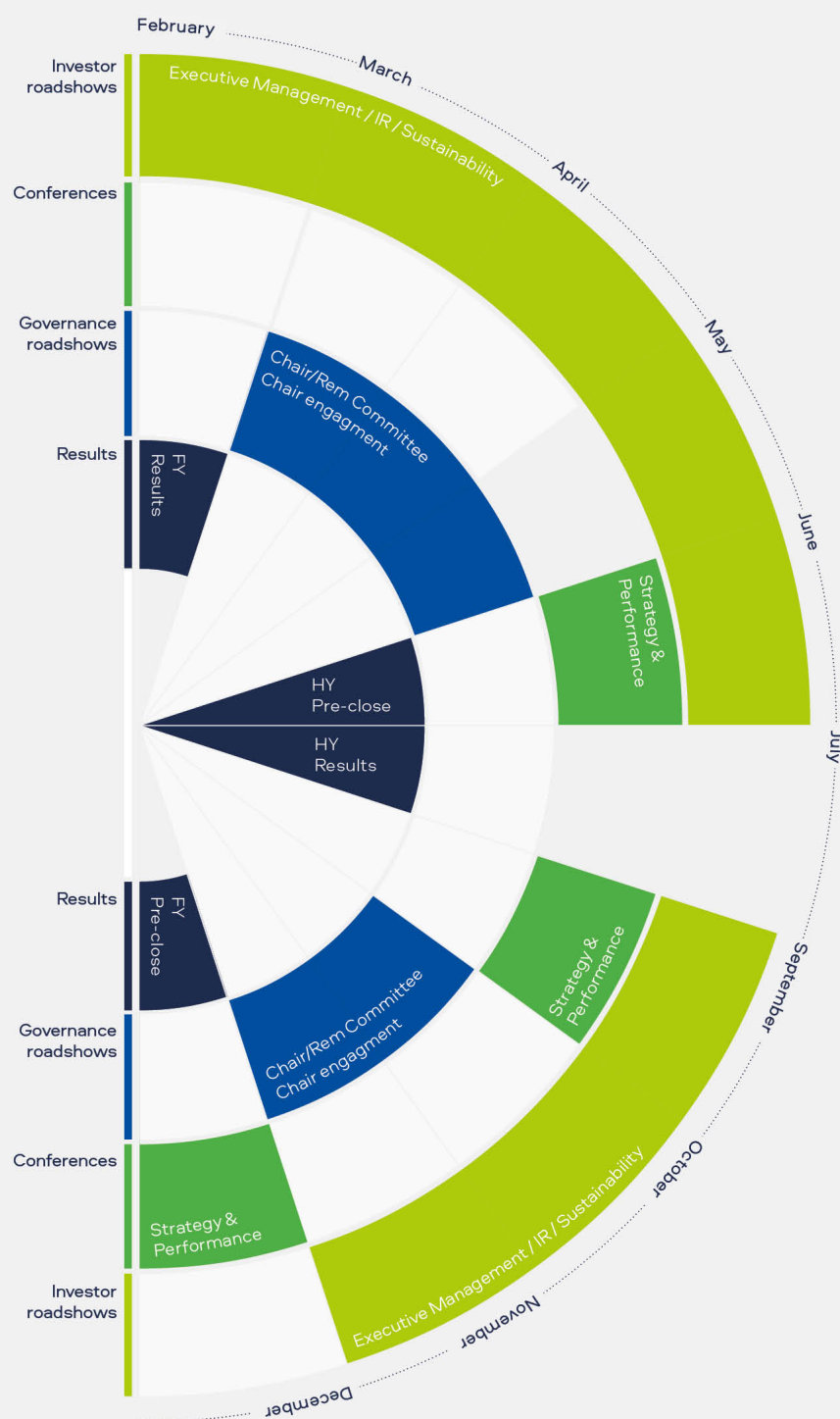
ESG Investor Programme

In 2023, we continued to enhance our ESG Investor programme, including providing additional details in the Full Year and Half Year results statements, proactive engagement plans focused on key topics and ensuring our ESG disclosures are delivered across a range of formats.

The scope of our ESG investor engagements is broad, from investors seeking a more generalist overview of ESG strategy and activities, to more 'specialist' meetings on a specific stewardship area such as human rights, circular economy and biodiversity.

Encouragingly, our activities are being well received by investors, who welcome the collaborative nature of such engagements and the opportunity to share best practice. We have also engaged with wider stakeholders at investor events sharing our insights on ESG topics and broader regulatory requirements such as TCFD recommendations and the CSRD. We are committed to further developing our ESG Investor programme throughout 2024.

Investor Relations Calendar 2023



How the Board considers shareholder and investor views

The Chair, the Chief Executive 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 2023 included the Group's transformation journey, Management Board changes, New Category strategy and performance, approach to navigating macro economic pressures, capital allocation, sustainability strategy and progress, and key regulatory developments and enforcement.

In response to shareholder feedback, through our enhanced investor communications at Half-Year Results, we shared additional data points on the progress we are making towards our New Category profitability target.

The Board takes shareholder feedback into account in its decision-making and when developing the Group strategy. This is discussed further on page 149, including in relation to capital allocation decisions, and on pages 170 to 172 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.

Shareholders were welcomed in person to attend our AGM in 2023, at which the Chair reflected on business performance in 2022 and discussed the outlook for 2023. The Chair and other Directors also responded to shareholder questions. 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/aggm.

Voting on resolutions presented to the AGM was carried out by way of a poll in accordance with the Company's Articles of Association and all resolutions as set out in the Notice of Meeting were passed with no significant vote against any resolution. All Directors attended our 2023 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.

The Board's assessment of key stakeholders is further informed by the outcomes of the Group's Sustainability Double Materiality Assessment conducted in 2022 and updated in 2023 (discussed further on pages 74 to 77 and 147).

Our key stakeholders are referenced in our business model on page 20, with an overview of their importance, what matters to them, and how we engage and respond to them on pages 22 to 23.

The imperative of transparency of engagement is built into relevant Group policies, such as our SoBC and specific frameworks for stakeholder engagement.

The Board conducted a review of key stakeholders in 2023.

This included how engagement is carried out 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 that 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 our judge and at the core of everything we do. Consumer-led innovation and product development are central to achieving our purpose and we believe that our multi-category approach is the most effective way to appeal to the diverse preferences of adult consumers worldwide.

Our marketing teams lead our engagement with consumers and we engage through extensive consumer market research and sales and marketing interactions.

On a market visit to Stockholm in September 2023, several of our Directors had the opportunity to experience this first hand at a live co-creation session with consumers and members of our Nordics innovation team which explored the role of 'sweet territory' in flavours for modern oral products.

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

In 2023, the Board was updated on a range of consumer insights and how we respond to feedback, for example, feedback from nicotine consumers that more information on the role of New Categories products in tobacco harm reduction is needed to help them make informed product choices and the digital resources we make available to consumers to support this; and how we address the environmental impacts of our products and initiatives in place such as Take-Back schemes, reduction in plastic packaging and other measures to reduce the carbon footprint of our products.

The Board was also briefed on consumer expectations for responsible marketing practices and restrictions on underage access and the governance and controls in place to support marketing practices.

In 2023, the Board approved the introduction of new Responsible Marketing Principles applicable to the Group's nicotine products and brands, to be implemented in 2024. Our Responsible Marketing Principles take account of consumer expectations in relation to responsible marketing practices and underage access prevention, with implementation supported by the introduction of a new Responsible Marketing Code.



Read more about our approach to engaging with consumers
Pages 19 to 22, 60 to 63 and 96 to 97



Suppliers

Our relationships with leaf suppliers, contracted farmers and suppliers of direct materials and indirect services 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, through briefings and strategic reviews provided by the Chief Operating Officer, the Director, Operations and other members of senior management.

In the context of leaf supply, the Board was briefed on perspectives of suppliers and contracted farmers and how we respond to feedback, including how we address Scope 3 supply chain carbon emissions and initiatives such as the Carbon Smart Farming Programme to reduce emissions in tobacco farming; how we address the risk of child labour in our supply chains and the impact assessments and other activities we undertake in leaf sourcing countries towards eliminating child labour; and the steps we take to protect biodiversity and the implementation of our Biodiversity Operating Standard in 2023.

In the context of direct materials and indirect services, the Board was briefed on a range of supplier perspectives and how we respond, such as how we can innovate in our engagement, the roll-out of our 'Be Supplier' programme (an initiative to introduce new supplier solutions to address business challenges) and supplier innovation workshops at our Global Device Development Centre in China; how we address supply chain carbon emissions and conduct responsible water stewardship; and progress in our CDP Supply Chain Programme to support reduction in Scope 3 GHG emissions.

The Board was also updated on engagement with suppliers at the Supplier ESG conference held in Bangladesh in July 2023, which enabled suppliers to contribute to the development of our sustainability agenda and participate in discussion panels on local ESG challenges.

The Board approved a revised version of our Supplier Code of Conduct (discussed on page 149) and 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.



Read more about our approach to engaging with suppliers
Pages 19 to 23 and 100 to 101

Customers

Retailer, wholesaler and distributor relationships and customer engagement programmes are managed at local market and business unit levels.

The Board is regularly updated through reports from the Chief Executive and other Management Board members on the global retail environment and the promotion of responsible marketing practices.

During the year, the Board was also briefed on improvements made to customer engagement models, e-commerce platforms and other digital services in response to customer feedback and collaborations with customers to help combat illicit trade. In 2023, Directors also had the opportunity to visit retail outlets in Stockholm and Bucharest to see local trade marketing interactions.

The Audit Committee oversees compliance with the Group's responsible marketing and youth access prevention procedures and initiatives to reinforce associated governance and controls.

+ Read more about customers and our approach to responsible marketing [Pages 19 to 23](#) and [96 to 97](#)

Spotlight

Sustainability Double Materiality Assessment[^] (DMA)

With the support of a specialist external consultancy firm, in 2023, we reviewed and updated our DMA conducted in 2022 so that it continues to inform our sustainability programmes and business strategy effectively.

Our updated DMA builds on the extensive stakeholder engagement and sustainability topic mapping completed in 2022 and aligns our DMA process with the methodology of the CSRD and ESRS.

The scope of the 2023 refresh of the DMA conducted in 2022 is outlined on pages 74 to 77, with key developments summarised below.

100+

In depth, structured stakeholder dialogues conducted in 2023, covering outward and inward impact materiality and financial materiality in line with CSRD and ESRS requirements. These dialogues enhanced the insights gained from engagement with more than 2,600 internal and external stakeholders in 2022.

Horizon scan & topic review

Our 2023 horizon scan and cross-industry benchmark focused on recent and emerging developments in sustainability matters and we reviewed and updated our sustainability topic shortlist.

Robust assessment criteria

Applying the DMA methodology of the July 2023 ESRS, we have introduced additional structure to our impact materiality and financial materiality assessment criteria.

Note:

[^] Although financial materiality has been considered in the development of our Double Materiality Assessment (DMA), our DMA and any related conclusions in this document as to the materiality or significance 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.

Society

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.

Across the Group, we engage with a wide variety of stakeholders in scientific and public health communities, governments and regulators, non-governmental organisations (NGOs) and local communities, with engagement managed by local market, business unit and functional teams, including legal, regulatory affairs and scientific research. The Board is briefed on engagement with scientific communities, regulators and public health bodies.

During the year, this included briefings on the impact of engagement relating to the regulation of New Categories in Western Europe, engagement with public health advocates at forums such as the Global Tobacco and Nicotine Forum and the Tobacco Science Research Conference, published scientific research on flavours in New Categories products, and the role of the External Scientific & Regulatory Panel, formed of external experts offering strategic input on our scientific product stewardship programme.

The Board regularly reviews updates from the legal and corporate and regulatory affairs teams, covering engagement with governments and regulators and anti-illicit trade collaborations. For example, in 2023 updates were provided on our contribution to local standards authorities in various markets to develop industry safety standards for New Categories products and our participation in public consultations and other processes through which we submit our views on the regulation of vapour products and other New Categories.

The Board also considered how the Group responds to stakeholder feedback on the environmental impact of our operations and products. Examples in 2023 included continued progress against our science-based emissions reduction targets (building on our Low Carbon Transition Plan published in 2022), a refresh of the Sustainability Double Materiality Assessment conducted in 2022 and reporting on Principal Adverse Impact indicators under the EU Sustainable Finance Disclosure Regulation (initiated in 2022).

The Board is kept informed on engagement initiatives with local communities. For example in 2023, the Board was briefed on engagement with farmers and wider rural communities through multi-stakeholder partnerships; community investment projects in relation to afforestation programmes and child labour prevention projects in collaboration with the industry, local governments and NGOs; and community support offered following the earthquake in Türkiye.

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

The Audit Committee is also regularly updated on our engagement with tax authorities on material Group tax matters and has oversight of political contributions in the U.S.

+ Read more about our engagement with governments and wider society [Pages 19 to 23](#) and [60 to 118](#)

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 19 to 23 and 149, including information about the effect of that regard.

Board Leadership and Purpose

Board Engagement with Stakeholders Continued

★ Our People

Our people are critical to our success and the Board is committed to 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 views of our workforce through a combination of well-established engagement methods in place across multiple channels and at different levels of our organisation.

These channels include direct engagement discussed on page 140 through Directors' market and site visits; participation in town hall and Q&A sessions; and the Chief Executive's engagement programme of regional and business visits to connect with local employees, employee resource group (ERG) events such as B United's Pride event hosted by our LGBT+ ERG, a 'Let's Talk' virtual call open to staff across the Group, and live webcasts with discussion and Q&A on our strategy, culture, performance and business outlook.

Overall, there were 27 market visits or other engagement forums attended by one or more Directors in 2023, comprising 3 in the U.S., 7 in the Americas and Europe region, 2 in the Asia-Pacific, Middle East and Africa region and 15 with global functions.

Indirect engagement is enabled through feedback from town halls, employee focus groups, works councils, regional, function and local live webcasts, our global Your Voice employee survey, and Speak Up channels, discussed on pages 89, 98 and 181.

The Board reviewed our workforce engagement channels across the Group, including consolidated and specific feedback from engagement channels. In addition, the Board discussed a range of workforce feedback in the context of developing our values (see page 140). The Board also considered workforce perspectives in other contexts during the year, such as oversight of progress towards the sale of the Group's businesses in Russia and Belarus, and updates on initiatives to support colleagues in Türkiye impacted by the earthquake in February 2023.

Key themes and priorities from workforce feedback considered by the Board, and how that feedback has been responded to, are discussed opposite.

Given the spread, scale and diversity of the Group's workforce, the Board continues to consider it effective to use this combination of established channels, augmented by structured and regular reporting to the Board on our people's views 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 feedback on how we respond is provided back to our workforce.

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

+ Read more about our approach to engaging with our people [pages 89 and 181](#)

Key themes and priorities from workforce feedback

Our values and culture

Overall feedback from engagement during the year is that our people are proud of our global and diverse organisation, the people they work with, our business performance and their career development opportunities.

They are excited about our transformation, our product innovation, the foundations we are developing in categories beyond nicotine and how our leadership inspires a collaborative and inclusive culture. Our people believe that diversity, responsibility, accountability and resilience are core to our values.

Diversity

Feedback shows that continued action is needed to enhance diversity within our Senior Leadership, with emphasis on improving gender balance, objectives that the Board has fully committed to. The Board monitors progress towards our targets for representation of women in Senior Leadership team roles and ethnically diverse representation in senior management and their direct reports, and initiatives in place to support this (discussed further at page 156).

Our ways of working

Feedback highlights the opportunities to further empower our people and foster greater collaboration, focus, prioritisation and agility in our ways of working. Our learning and development portfolio for employees across the Group will be fully refreshed to drive capability development in these areas, with progress measured through employee feedback monitored by the Board.

Feedback from focus groups held across key UK sites in August 2023 highlighted specific opportunities to develop a thriving work environment, including wellbeing and family-friendly policies and hybrid working arrangements.

The Chief Executive and the Group Head of Talent & Inclusion have briefed the Board on initiatives implemented or underway in direct response to feedback, including introduction of new guidelines on hybrid working and a new progressive dress code, 'Dress for Your Day'.



Luc Jobin, Darrell Thomas and Kandy Anand participating in a townhall with colleagues from our Western Europe operations team.

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 89 and 140 and pages 178 to 181 in relation to remuneration matters, including further details about the effect of that regard.

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 144 to 148. Board activities in 2023 are set out in pages 142 to 143.

Refined Strategic Direction and Purpose

Following the Board's oversight of Tadeu Marroco's appointment as Chief Executive in May 2023, the Board worked closely with management to refine our A Better Tomorrow™ strategy to strengthen our long-term profitable growth and sustainable value creation.

As part of this refined strategic direction, we have committed to 'Building a Smokeless World', deploying the Group's global multi-category portfolio to actively encourage smokers to 'Switch to Better' nicotine products. Our refined strategic direction focuses the Group on sharper strategic execution and driving a collaborative and inclusive culture. To support this, the Board has also overseen the introduction of our Strategic Navigator to provide greater insight to our stakeholders.

Key stakeholder perspectives taken into account
Shareholders and Investors
Consumers
Customers
Suppliers
Our people
Governments and wider society

Capital allocation

The Board assessed capital allocation priorities when approving the 2024 budget, aiming to develop the Group's long-term sustainable growth in the context of the challenging and inflationary macro-economic environment, and continued pressure on transactional foreign exchange rates.

The 2024 budget has been designed to strengthen New Categories performance, invest in the U.S. business, and continue to focus on deleveraging in accordance with our guidance and taking into account shareholder expectations.

Capital allocation in the 2024 budget also factors in the resources required to drive a step change in our product innovation and speed to market, deliver our sustainability targets, continue to offer competitive remuneration for our people, and develop our business partnerships with our customers and suppliers.

Key stakeholder perspectives taken into account
Shareholders and Investors
Our people
Consumers
Customers
Suppliers
Governments and wider society

Standards of Business Conduct and Supplier Code of Conduct 2024

The Board reviewed and gave approval to the introduction of updated versions of our SoBC and SCoC from 1 January 2024. Our updated SoBC emphasises that employees across the Group are empowered to act as a first line of defence to flag any potential for conduct falling short of our standards and our SCoC has been revised to reflect our updated SoBC.

In approving the revised policies, the Board considered their alignment to our strategy and values and how revisions took account of the expectations of our shareholders and wider stakeholders for high standards of integrity in our business conduct and changes to applicable regulations. Revisions made to our SoBC and SCoC were informed by external benchmarking, current industry best practice, evolving legal requirements, and feedback from employees and business partners.

Key stakeholder perspectives taken into account
Shareholders and Investors
Our people
Consumers
Customers
Suppliers
Governments and wider society

Responsible Marketing Principles 2024

The Board gave approval to new Responsible Marketing Principles (RMP), which build on our International Marketing Principles, to be implemented in 2024. Our RMP confirm our commitment to responsible marketing and underage access prevention across our tobacco and nicotine products and brands.

Our RMP were developed taking into account the importance to our shareholders, consumers, employees and regulators that we continue to demonstrate responsible marketing practices and that we support our trade customers to do the same. Application of our RMP will be supported by our Responsible Marketing Code and training programmes for Group company employees and our external partners, to enable consistent application of our RMP across our route to market channels.

Key stakeholder perspectives taken into account
Shareholders and Investors
Consumers
Customers
Employees
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.

Division of Responsibilities

Our Approach to Division of Responsibilities

The Board comprises the Non-Executive Chair, one Executive Director and nine independent Non-Executive Directors.

This section sets out the roles and division of responsibilities between the Chair, Executive Directors¹ 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 Director¹	<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 – 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

Note:

1. Javed Iqbal currently holds the role of Interim Finance Director and will step down from that role on 30 April 2024. Javed is not an Executive Director. Soraya Benchikh will be appointed as Chief Financial Officer and as an Executive Director from 1 May 2024.

Board Efficacy

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 about any issues that cannot be resolved, such concerns are noted in the Board minutes. No such concerns arose in 2023.

Scheduled board meetings during the year were convened in person. The Board held its strategy sessions in October 2023 in Bucharest, Romania. Feedback from the annual Board evaluation confirmed that Board meetings continued to operate well and are considered to be chaired effectively.

Non-Executive Director Meetings

Meetings of the Non-Executive Directors, led by the Chair and without any Executive Director present, are scheduled in the Board calendar. These meetings are usually held following scheduled Board meetings, with additional Non-Executive Director meetings convened where required.

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 Koeppel 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 currently includes an appropriate combination of Executive and Non-Executive Directors, and will continue to do so when Soraya Benchikh is appointed as Chief Financial Officer and as an Executive Director from 1 May 2024.

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 156).

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 2023, the Board considered the following external appointments:

- Darrell Thomas' appointment as a Non-Executive Director of Pitney Bowes, Inc. (a company listed on the New York Stock Exchange) from 2 March 2023.
- Sue Farr's appointment as the Senior Independent Director of THG plc (a company listed on the London Stock Exchange) from 24 April 2023.
- Véronique Laury's appointment as a Director of Société Bic S.A. (a company listed on Euronext Paris) from 16 May 2023.

These additional appointments were considered by the Board to be significant in accordance with the Code, however the Board concluded that the appointments would not impair the Directors' ability to serve as Non-Executive Directors in view of the anticipated time commitment.

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.

In relation to the following appointments, potential situational conflicts were considered by the Board:

- In relation to Darrell's appointment as a Non-Executive Director of Pitney Bowes, Inc., a potential situational conflict was reviewed and authorised by the Board, as a subsidiary of Pitney Bowes Inc. is a supplier to the Group in New Zealand. Those supply arrangements are not material and Darrell has no involvement in the operations of the supplier or the Group in New Zealand.
- In relation to Véronique's appointment as a Director of Société Bic S.A., a potential situational conflict was reviewed and authorised by the Board, as the Bic group is a supplier to the Group. Those supply arrangements are not material and Véronique has no involvement in the operations of the supplier or Group companies supplied by Bic.

The Board determined these arrangements did not impact Darrell's or Véronique's independence as Non-Executive Directors.

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.

Tadeu Marroco completed his Executive Director induction programme following appointment to the Board in 2019. Tadeu's transition to the role of Chief Executive was supported by briefings with the Chair, all members of the Management Board and a range of senior managers following his appointment as Chief Executive in May 2023.

Murray Kessler and Serpil Timuray are undertaking a full Non-Executive Director induction following their appointment to the Board, as highlighted below.

Spotlight

Non-Executive Directors' Induction

Murray Kessler and Serpil Timuray

Murray and Serpil are progressing through their Non-Executive Director induction following their appointment to the Board in Q4 2023. Sessions are conducted through virtual and in-person briefings to enable efficient delivery of a comprehensive programme.

Their induction programme includes meetings with the Chair and each of the Directors and a detailed series of briefings with senior management covering Group strategy and transformation, business regions, product portfolios, our values and culture, the Group's sustainability agenda, shareholder and wider stakeholder engagement, corporate governance, integrity and compliance, directors' duties, and treasury, risk, legal and regulatory matters.

In preparation for their Remuneration Committee roles, the induction programme for Murray and Serpil also includes specific focus on executive remuneration matters and an induction session with the Remuneration Committee's UK and U.S. consultants.

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 Chief Executive, members of the Management Board, the Company Secretary, other senior executives and outside advisors.

During 2023, key briefings for the Board included an in-depth review of sustainability regulation and broader corporate governance developments from a UK and U.S. perspective provided by external legal counsel, coupled with a discussion on shareholder and wider stakeholder perspectives on sustainability metrics and reporting, led by the Chief Sustainability Officer and a corporate broker representative.

The Board was also briefed on the cyber risk landscape and the Group's cyber security risk programme by the Director, Digital & Information and external advisers, and it was updated on the introduction of further international sanctions in relation to Russia during the year and operation of the Group's governance framework to support sanctions compliance.

Committees of the Board are kept updated on developments within their respective remits.

In 2023, the Audit Committee was briefed on developments in sustainability reporting requirements on a regular basis by the Chief Sustainability Officer and the external auditors. Coverage included reporting in alignment with TCFD recommendations, the impact of the EU Sustainable Finance Disclosure Regulation, anticipated future application of the EU Corporate Sustainability Reporting Directive, data reporting standards to be implemented by the International Sustainability Standards Board, recommendations for the Taskforce on Nature-related Financial Disclosures framework, and developments in the U.S. SEC's proposals to introduce climate-related disclosure requirements. These briefings have served to inform the Audit Committee's oversight of the Group's sustainability reporting framework and its future development.

The Audit Committee was also briefed on developments in UK audit and corporate governance reforms during the year, including the FRC's consultation on the revised Corporate Governance Code, which was published in January 2024.

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

Briefings provided to the Committee during the year included outcomes of the global living wage assessment conducted across the Group, introduction of new U.S. SEC and NYSE rules on mandatory clawback arrangements, insights on market practice relating to the use of sustainability metrics in incentive schemes and updates on other trends in executive remuneration to inform development of a revised Directors' Remuneration Policy ahead of policy renewal planned for 2025.

All Board members attended the meetings of the Audit and Remuneration Committees held in October 2023 to promote a deeper understanding of the work of the Committees of which they are not members.

Non-Executive Directors regularly attended meetings of the Group's Regional Audit 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.

The effectiveness and performance of the Board, its Committees and the Directors were reviewed internally in 2023, led by the Chair and facilitated by the Company Secretary. An externally-facilitated review of the performance and effectiveness of the Board, its Committees and each of the Directors was conducted in 2022[@] by Dr Tracy Long of Boardroom Review Limited[@].

For the 2023 internal review, all Directors participated fully in the review, with the exception of Murray Kessler and Serpil Timuray who joined the Board towards the end of the year. Murray and Serpil participated in the Board consideration of the outcomes of the review. As part of the internal review process, a series of questionnaires were completed by the participating Directors, through which they were requested to assess the effectiveness and performance of the Board, the Committees of which they were a member or regularly attended during the year, and each of the Directors. Several members of senior management also participated in aspects of the review process.

Feedback was collated on an anonymised basis and reports on the outcomes of the review process and action areas for consideration were prepared for the Board and each Committee. The Board and the Committees then reviewed and discussed their respective reports and identified action areas for 2024, taking into account the review findings. The Committee Chairs also reported back to the Board on the outcomes of their Committee evaluations.

The Chair received reports from the Company Secretary on the performance and effectiveness of the Directors (other than himself) and he provided individual feedback to each Director. The Senior Independent Director received a report from the Company Secretary on the Chair's performance and effectiveness, and led a discussion reviewing the Chair's effectiveness with the other Directors (without the Chair present). The Senior Independent Director then provided feedback to the Chair.

In addition to the 2023 internal review, a review session with the Board was facilitated[@] by Dr Long of Boardroom Review Limited[@] to follow up from the externally-facilitated review conducted in 2022.

2023: Internal Board review process

1 Plan and Evaluate

- The Chair and Company Secretary reviewed the scope and focus areas for the review and defined the series of questionnaires to be used to support the review process.
- The Directors provided their assessment of the performance and effectiveness of the Board, its Committees and the Directors.

2 Reporting

- Participant feedback was collated on an anonymised basis and reports were prepared for the Board, its Committees and the Directors.

3 Review and Action

- Board Committees reviewed and discussed the review outcomes, identified actions arising and provided feedback to the Board.
- The Board then discussed the review outcomes and identified action areas for 2024.
- The Chair provided feedback to the other Directors.
- The Senior Independent Director provided feedback to the Chair.

Spotlight

2023 Board review**Overview of Outcomes**

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

The review found the composition of the Board to be well-balanced, including in relation to diversity and Directors' skills and experience. The working relationships and communication between the Non-Executive Directors, and between the Non-Executive Directors, Chief Executive and wider executive management team, are well-regarded and support open discussion in the boardroom.

The Board's focus during the year was generally found to be appropriately balanced across the elements of the Group's strategy, with due attention to risk, control and compliance matters. The Board's approach to monitoring corporate culture is considered to be effective, with feedback demonstrating that the enhanced programme of workforce engagement led by the Chief Executive in 2023 was well-received. The value of market and operational site visits was highlighted by the Board as an important way in which to monitor workforce sentiment.

Board and Committee meetings are considered to be chaired, managed and supported effectively to enable decision-making, with Committee Chairs providing thorough and efficient reporting to the Board.

Progress against key action areas identified for 2023

Strategy: The Board's agenda for the year maintained focus on strategic discussion and development, supported by reviews of the competitive environment, with the Board leading the refinement of the Group's A Better Tomorrow™ strategy discussed further on page 149.

Board leadership: Feedback from the internal review demonstrated effective working relationships between the Directors, enhanced through a blend of formal and informal meetings and site visits. Feedback also acknowledged further improvements in information flows between the Board and management, with some additional opportunities identified for continuous improvement.

Risk management: During 2023, the Board's programme of risk management oversight was supplemented with focused briefings on risk management topics, including sustainability regulations and the cyber security risk landscape. The Audit Committee also received a range of briefings relevant to risk management oversight of the Group's sustainability agenda. These briefings are discussed further on page 152.

People and culture: The Board recognised the effectiveness of the Nominations Committee during the year through its significant focus on Chief Executive transition planning, and Chief Financial Officer and Non-Executive Director succession planning. Maintaining momentum on longer-term Non-Executive Director succession planning, and oversight of the development of a diverse pipeline for Management Board and senior management succession, was identified as a continuing priority for 2024.

Key Actions for 2024

Following the internal review conducted in 2023, the Board and its Committees plan to implement forward-focused actions in the following key areas:

Strategy

- Following introduction of the Group's refined strategic direction, support management with execution of Group strategy and oversee progress against strategic key performance indicators.
- In view of developing regulatory frameworks, maintain emphasis on the Board's oversight of the Group's sustainability strategy as part of the Board agenda, supported by structured briefings for Directors, including external stakeholder perspectives.

Board leadership

- Taking into account changes in the composition of the Board during the year, refresh the Board's assessment of skills requirements to support the Group's strategy.
- Develop the Directors' programme for market and operational site visits in 2024, including a range of opportunities for informal workforce engagement.

Risk management

- Recognising the evolving nature of risks relating to cyber security and supply chain management, maintain appropriate time on the Board and Audit Committee agendas for review and discussion of these risks and mitigation activities, alongside other existing and emerging risks to the Group.
- Maintain Audit Committee focus on business controls and sustainability reporting, particularly in the context of evolving regulatory frameworks, and on cyber security risk management oversight, with those priorities reflected in the Internal Audit Plan for 2024.

People and culture

- Continue to focus on succession planning for Non-Executive Directors to retain an appropriate balance of diversity, skills and expertise in the longer-term.
- Promote the development of broader diversity in the Management Board and senior management, with continued attention to improving gender diversity at those levels.
- Implement a comprehensive induction programme for the new Chief Financial Officer following her appointment in May 2024.
- For the Remuneration Committee, focus on development of the revised Directors' Remuneration Policy in readiness for presentation to shareholders at the AGM in 2025 and completion of a thorough induction on executive remuneration for new Committee members.

Composition, Succession, Evaluation

Nominations Committee

**Nominations Committee
current members**

Luc Jobin (Chair)

Kandy Anand

Sue Farr

Karen Guerra

Holly Keller Koeppel

Murray Kessler

Véronique Laury

Dimitri Panayotopoulos

Darrell Thomas

Serpil Timuray

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 & Inclusion Policy and monitoring progress towards the achievement of its objectives, summarised on page 157.

Key Activities in 2023

- Making recommendations to the Board in relation to transition of the role of Chief Executive and Interim Finance Director, as set out on page 155.
- Reviewing plans for Management Board restructuring and making a series of recommendations to the Board to revise the structure, roles and composition of the Management Board and to appoint a new Company Secretary (see page 156).
- Making recommendations to the Board in respect of Non-Executive Director and Board Committee appointments, including the appointments of Murray Kessler and Serpil Timuray as Non-Executive Directors and members of the Remuneration and Nominations Committees, discussed on page 155.
- Recommending the appointment of a new Chief Financial Officer to the Board, to take effect from 1 May 2024.
- Succession planning for the role of Senior Independent Director and for the Audit and Remuneration Committee Chairs.
- Ongoing assessment 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 155.
- Reviewing Executive Director's and Management Board members' annual performance assessments and assessing development of candidates for Management Board roles.
- Oversight of 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 132 to 135 with details of the representation of key diversity attributes on our Board.

Our Board Diversity & Inclusion Policy is discussed on page 157. We report Board and executive management diversity data on page 158 in accordance with the UK Listing Rules requirements. Currently, 45% of our Directors are women and 27% from an ethnic minority background (as defined by the UK Office of National Statistics).

Nominations Committee terms of reference

The Committee's terms of reference align with the requirements of the UK Corporate Governance Code.

Revised terms of reference for the Committee were introduced with effect from 1 September 2023 to reflect changes to the structure of executive management roles.



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

The Senior Independent Director is currently Sue Farr. From close of the 2024 AGM, Holly Keller Koepfel will succeed Sue as Senior Independent Director (subject to re-election). Soraya Benchikh will be appointed as Chief Financial Officer from 1 May 2024. At the close of the 2024 AGM, it is anticipated that representation of women on the Board will be 45% and representation of Directors from ethnic minority backgrounds will be 33%. 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 & Inclusion Policy.

Board Succession Planning

The Board considers the length of service of Board members as a whole and the need for Board membership to be refreshed progressively over time. The Committee is responsible for regularly reviewing the composition of the Board and the Management Board to ensure both have an appropriate balance of skills, expertise and experience. 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 & Inclusion Policy. This process includes interviews with a range of candidates and full evaluation of candidates' experience and attributes and how these would augment the Board's mix of skills, expertise and knowledge.

Executive Director succession

In 2023, the Committee led the process to identify a new Chief Executive to further drive the Group's transformation in a fast-changing environment.

The Committee gave thorough consideration to a range of candidates, their relative experience, skills and other attributes, and ability to fulfil the role criteria with emphasis on a demonstrated track record for developing collaborative teams capable of delivering transformation and strength in execution.

Following this process, the Committee recommended to the Board the appointment of Tadeu Marroco as Chief Executive to succeed Jack Bowles. Jack had served as Chief Executive since 2019 and stepped down from the Board with effect from 15 May 2023.

In the context of succession planning for the Chief Executive, the Committee also gave full consideration to a range of candidates for appointment as Finance Director. Taking into account the candidates' skills, experience and broader attributes and longer-term succession planning for the composition of the Board, the Committee recommended to the Board that Javed Iqbal be appointed as Finance Director on an interim basis, alongside his existing role of Director, Digital & Information (Javed was not appointed as an Executive Director in the interim).

Subsequently, the Committee led a comprehensive search process resulting in the Committee recommending to the Board the appointment of Soraya Benchikh as Chief Financial Officer and as an Executive Director. Soraya's appointment will take effect from 1 May 2024 and the process leading to her appointment will be reported in the Annual Report and Form 20-F for 2024.

Non- Executive Director succession

In 2023, the Committee recommended to the Board the appointments of Murray Kessler and Serpil Timuray as Non-Executive Directors. Heidrick & Struggles¹ supported the selection process leading to these appointments. As part of these appointment processes, specific candidate selection criteria were developed to reflect the Board's requirements, including for business transformation, consumer products and digital technology experience.

For each appointment, a short list of candidates was presented to the Committee and preferred candidates were interviewed by members of the Board, who reported their feedback on candidates to the Committee.

Careful consideration was given to candidates' skills, experience, diversity of attributes and their fit with the role criteria for each appointment. The Committee then recommended the preferred candidate for appointment to the Board.

Murray and Serpil each bring a range of extensive transformation, technology and consumer products expertise to the Board. Their biographies are set out on pages 134 and 135.

Board Retirements

Savio Kwan stepped down from the Board with effect from the conclusion of the Company's AGM on 19 April 2023 and Jack Bowles stepped down from the Board with effect from 15 May 2023.

Sue Farr and Dimitri Panayotopoulos will step down from the Board with effect from the conclusion of the Company's AGM on 24 April 2024.

Annual General Meeting 2024

With the exception of Sue Farr and Dimitri Panayotopoulos, the Company will submit all eligible Directors for re-election and, in the case of Murray Kessler and Serpil Timuray, 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 and ability to devote sufficient time to their role (discussed on pages 150 and 151).

The Chair's letter accompanying the 2024 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.

Notes:

1. Heidrick & Struggles International, Inc. is an independent executive search firm, which applies the Standard and Enhanced Codes of Conduct for Executive Search Firms. The firm has no connections with the Company or its Directors other than in respect of the provision of executive search services.
2. Number of meetings in 2023: (a) the Committee held seven meetings, four of which were ad hoc. Three meetings of the Committee are scheduled for 2024; (b) Kandy Anand did not attend the scheduled meeting in February 2023 due to unforeseen personal circumstances; (c) Sue Farr did not attend the ad hoc meeting in January 2023 convened at short notice due to prior commitments; (d) Dimitri Panayotopoulos did not attend the ad hoc meeting in June 2023 and the scheduled meeting in July 2023 due to illness.
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 U.S. federal securities laws and NYSE listing standards; (b) Murray Kessler joined the Committee on 6 November 2023 on his appointment to the Board; (c) Serpil Timuray joined the Committee on 4 December 2023 on her appointment to the Board; (d) Savio Kwan ceased to be a member of the Committee on stepping down from the Board at the conclusion of the AGM on 19 April 2023.
4. Other attendees: the Chief Executive and the Chief People Officer attend meetings by invitation but not as members.

Attendance at meetings in 2023^{2(a), 3(a)}

Name	Meeting attendance ⁴	
	Member since	Attended/Eligible to attend
Luc Jobin	2017	7/7
Kandy Anand ^{2(b)}	2022	6/7
Sue Farr ^{2(c)}	2015	6/7
Karen Guerra	2020	7/7
Holly Keller Koepfel	2017	7/7
Murray Kessler ^{3(b)}	2023	1/1
Véronique Laury	2022	7/7
Dimitri Panayotopoulos ^{2(d)}	2015	5/7
Darrell Thomas	2020	7/7
Serpil Timuray ^{3(c)}	2023	0/0
Savio Kwan ^{3(d)}	2014 - 2022	2/2

Composition, Succession, Evaluation

Nominations Committee Continued

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.

Senior Management 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.

In 2023, the Committee reviewed plans to restructure the Management Board to support a sharpened focus on execution and operational excellence and enhance capabilities critical for the Group's strategic development and transformation.

The Committee gave thorough consideration to the approach for revising the composition of the Management Board and the candidates identified for appointment to Management Board roles during the year, before making recommendations to the Board accordingly. Revisions to the composition of the Management Board during the year are summarised at page 139.

In this context, the Committee also considered succession planning for the role of Company Secretary and recommended to the Board the appointment of Caroline Ferland to this role. Following Board approval, Caroline was appointed as Company Secretary with effect from 1 September 2023.

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:

- **employer brand and talent attraction:** attracting fit for future talent with a purpose-led employer brand;
- **capabilities and learning:** accelerating capability development focused on transformation across product categories;
- **diversity and inclusion:** fostering conscious inclusion and equity, and delivering the Group's diversity and inclusion agenda; and
- **progressive culture and creating a great place to work:** promoting a culture of trust, empowerment and collaboration, and listening and responding to feedback from our people to enable change.

Progress against our objective to develop a pipeline of diverse, high-performing senior managers is set out on page 88.

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.

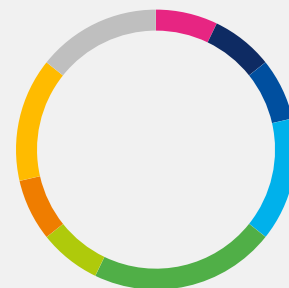
The Board oversees and monitors progress of our diversity and inclusion agenda. In 2023, this included:

- endorsing an ambition for 40% representation of Ethnically Diverse Groups² for the Management Board and direct reports, taking into account the Parker Review's 2023 report that asked FTSE 350 companies to set a target for ethnic diversity of their senior management team by 2027;
- 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;
- voluntary ethnicity reporting covering employees in Australia, Brazil, Canada, Malaysia, South Africa and the U.S., in addition to the UK; and
- focus on initiatives to develop and retain women in senior teams, including mentoring programmes and structured 'stay interviews' to inform development of policy and other enablers.

Our Strategic Report discusses our diversity and inclusion agenda and initiatives further, and provides details on the diversity of our workforce, and in our senior management population, on pages 88 to 91.

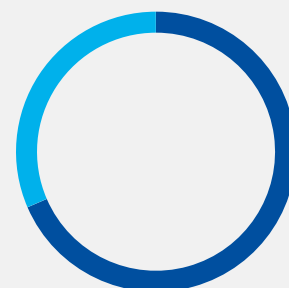
Executive Management Balance as at 31 December 2023

Management Board: Nationality



American	1
Australian	1
Belgian	1
Brazilian	2
British	3
German	1
Italian/Argentinian	1
Irish	2
Pakistani	2

Senior Management¹ and their direct reports: Gender balance



Male	74	69%
Female	34	31%

Notes:

1. Senior Management comprises the Management Board and the Company Secretary, in accordance with the UK Corporate Governance Code.
2. See page 334. Refer to BAT 'Reporting Criteria' for a full description of key definitions at bat/reporting.com.

Management Board ethnicity and gender balance is reported on page 158 as part of our diversity reporting for executive management as at 31 December 2023.

Our Board Diversity & Inclusion Policy

A revised Board Diversity & Inclusion Policy was approved by the Board and took effect from 7 February 2024 to reflect the refreshed statement of our values.

At BAT, we are proud to be a diverse and inclusive global organisation that encourages our people to value their differences and bring their authentic selves to work.

Our ongoing commitment to fostering a progressive culture is underpinned clearly by our values: "Truly Inclusive". Our commitment to diversity and inclusion across BAT is also embedded through our Group Standards of Business Conduct, applicable to all employees of the Group.

Our Board Diversity & Inclusion 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 and inclusion are key principles of our values. 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 & Inclusion 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 Board Diversity & Inclusion 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 & Inclusion 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	The representation of women on the Board was 45% as at 31 December 2023 (2022: 36%). At the close of the 2024 AGM, it is anticipated that women will represent 45% of the Board, increasing to 50% from 1 May 2024.
➔	At least one of the following senior positions on the Board to be held by a woman: Chair; Senior Independent Director; Chief Executive; Chief Financial Officer	The role of Senior Independent Director is currently held by Sue Farr. Sue was appointed as Senior Independent Director with effect from 1 August 2022. At the close of the 2024 AGM, Holly Keller Koepfel will be appointed as Senior Independent Director (subject to re-election). Other senior positions on the Board are held by Luc Jobin (Chair) and Tadeu Marroco (Chief Executive). Javed Iqbal currently holds the role of Interim Finance Director but is not a member of the Board. From 1 May 2024, the senior Board position of Chief Financial Officer will be held by Soraya Benchikh, accordingly it is anticipated that a total of two of the four senior positions on the Board will be held by women from 1 May 2024.
➔	At least one Director of a minority ethnic background on the Board ³	As at 31 December 2023, the representation of ethnic minority backgrounds on the Board was 27% (2022: 27%). At the close of the 2024 AGM, it is anticipated that the representation of ethnic minority backgrounds on the Board will be 33%. 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.	The representation of women on the Management Board was 7% as at 31 December 2023 (2022: 7%), anticipated to increase to 13% from 1 May 2024, following the appointment of Soraya Benchikh as Chief Financial Officer. Management Board succession planning takes into account the ambition to progress towards improved gender diversity. Emphasis is placed on building diverse talent pools at all levels of the organisation through recruiting, developing and retaining diverse and high-performing talent. In 2023, 50% of the Group's external management recruits were women (2022: 47%) and women comprised 62% of our new graduate intake in 2023 (2022: 57%). Further information about the Group's diversity and inclusion agenda is set out on pages 88 to 91.

Notes on Board Diversity & Inclusion 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. Applying UK Office for National Statistics ethnicity categories of: Asian; Black; Mixed/Multiple Ethnic Groups; Other Ethnic Group, in alignment with the UK Listing Rules.

Composition, Succession, Evaluation

Nominations Committee

Continued

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

We report our Board and executive management diversity data as at 31 December 2023 in accordance with the UK Listing Rules disclosure requirements and our progress in meeting the UK Listing Rules board diversity targets.

As at 31 December 2023, one of the three senior positions on the Board was held by a woman, Directors from an ethnic minority background represented 27% of the Board and the representation of women on the Board was 45% (this remains the case as at the date of this Annual Report and Form 20-F).

The representation of women on the Board currently meets the UK Listing Rules target of 40%. It is anticipated that the representation of women on the Board will remain at 45% at the close of the 2024 AGM (following Sue Farr and Dimitri Panayotopoulos stepping down from the Board) and will increase to 50% from 1 May 2024 following the appointment of Soraya Benchikh as Chief Financial Officer. It is further anticipated that a total of two of the four senior positions on the Board will be held by women from 1 May 2024.

The Board is committed to continued enhancement of its diversity, supported by the succession planning activities conducted by the Nominations Committee, discussed on pages 155 to 156.

Gender Representation: Board & Executive Management as at 31 December 2023

	Number of Board members	Percentage of the Board	Number of senior positions on the Board (CEO, CFO ¹ , SID and Chair)	Number in executive management ²	Percentage of executive management ²
Men	6	55 %	2	13	87 %
Women	5	45 %	1	2	13 %
Not specified/prefer not to say	—	—	—	—	—

Ethnic Background: Board & Executive Management as at 31 December 2023

	Number of Board members	Percentage of the Board	Number of senior positions on the Board (CEO, CFO ¹ , SID and Chair)	Number in executive management ²	Percentage of executive management ²
White British or other White (including minority-white groups)	8	73 %	2	10	67 %
Mixed/Multiple Ethnic Groups	—	—	—	—	—
Asian/Asian British	1	9 %	—	2	13 %
Black/African/Caribbean/Black British	1	9 %	—	—	—
Other ethnic group, including Arab	1	9 %	1	3	20 %
Not specified/prefer not to say	—	—	—	—	—

Notes:

1. The role of Interim Finance Director (equivalent to CFO) is not currently an Executive Director role on the Board.
2. 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).

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.

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.

For the 2023 data collection process, the standard form questionnaire included further guidance to participants in respect of the category 'Other Ethnic Group' following publication of the 2021 census ethnicity data by the UK Office of National Statistics.

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

Over the first half of 2023, the Committee led a rigorous audit tender process, which resulted in the Board's approval of our recommendation to appoint KPMG LLP as external auditors for financial year 2025.

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 discussing the Committee's role and responsibilities and our activities during 2023.

At the start of the year, we commenced planning for the competitive tender of the Group's external audit for the 2025 financial year. Over the first half of 2023, the Committee led a rigorous audit tender process, which resulted in the Board's approval of our recommendation to appoint KPMG LLP as external auditors for financial year 2025. This proposal will be presented to shareholders at the Annual General Meeting in 2025. Our report on the external audit tender process and the objective decision criteria applied by the Committee is set out at page 167.

Our risk management and internal controls framework has been another key focus for the Committee in 2023. Our oversight in this area included a robust review of risks across our Group register and emerging risks for the Group.

We identified two new Principal Risks to the Group during the year; cyber security, taking into account the evolving complexity of the cyber-threat environment and supply chain disruption in view of the macro-economic and geopolitical environment and the complexity of the Group's New Categories supply chain.

The Committee has monitored progress in the Group's business integrity and compliance programme through the year, with emphasis on our framework for compliance with international sanctions which rapidly escalated as a consequence of the ongoing conflict between Russia and Ukraine.

We have also addressed a series of important accounting judgements in 2023, including the complex treatment applicable to the sale of the Group's businesses in Russia and Belarus and analysis of the carrying value of goodwill and intangible assets in the U.S.

Alongside these activities, the Committee has overseen the continued development of our sustainability reporting framework, including updates to the Group's Double Materiality Assessment conducted in 2022 and introduction of further climate scenario analysis into our TCFD risk assessment.

We work to ensure that our reporting is aligned to the expectations of our stakeholders and that we are ready to adapt to significant regulatory change expected to impact on sustainability reporting. Looking ahead, the Committee has endorsed an extensive programme to develop our assurance and reporting structures to facilitate future reporting in alignment with anticipated regulatory requirements including the EU Corporate Sustainability Reporting Directive.

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 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 UK Corporate Governance Code.

Revised terms of reference for the Committee were introduced with effect from 1 September 2023 to reflect changes to the structure of executive management roles.



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



Audit, Risk, Internal Control

Audit Committee

Continued

Key Activities in 2023

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 programme of 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 assessment of Group viability, taking into account its current position and Principal Risks and associated stress-testing analysis, prior to review by the Board;
- significant tax matters for the Group, including rate of taxation and external developments that may impact the Group's tax position;
- 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';
- risks to the Group, including the Group risk register, prioritisation and categorisation of Group risks, relevant mitigating factors and emerging risks to the Group (discussed on pages 121 to 128 and 162);
- oversight of management's activities to ensure ongoing compliance with the U.S. Sarbanes-Oxley Act of 2002 (SOx) (discussed on page 168);
- the Company's status as a Foreign Private Issuer for the purposes of U.S. 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 internal audit plan for 2023 and design of the 2024 internal audit plan;
- annual and interim reports on the Group's Delivery with Integrity compliance programme (discussed on pages 98 to 99), 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 sustainability performance on an annual basis, including performance against the Group's sustainability targets, the Group's responsible marketing and youth access prevention activities (discussed on pages 96 and 97);
- external assurance activities conducted in respect of defined sustainability metrics and related information conducted by the external assurance provider and assessing the outcomes of assurance with the external provider;
- the outcomes of human rights assessments for countries in which Group companies operate that are identified to have a higher degree of exposure to human rights risks in 2023, 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 169); and
- the Committee's effectiveness, following the annual review of the Committee's performance (discussed on pages 152 to 153).

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

- **Introduction of organic adjusted diluted EPS as a new non-GAAP measure for remuneration purposes:** Following completion of the sale of the Group's businesses in Russia and Belarus, the Committee assessed the impact of non-adjusting events on adjusted diluted EPS and approved the introduction of organic adjusted diluted EPS as a new non-GAAP measure for remuneration purposes (see page 173).

Attendance at meetings in 2023¹

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

Notes:

- Meetings: the Committee held six meetings in 2023. Five meetings of the Committee are scheduled for 2024. Additional meetings are convened on an ad hoc basis as required during the year. In June 2023, there was one ad hoc meeting of the Committee to review proposals from candidate firms tendering to conduct the external audit for the 2025 financial 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 U.S. 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 Koepfel and Darrell Thomas are each designated as an audit committee financial expert in accordance with applicable U.S. federal securities laws and NYSE listing standards.
- The Finance Director attends all Committee meetings but is not a member. Other Directors may attend by invitation. The Director, Legal & General Counsel, the Group Head of Internal Audit and the external auditors generally attend all meetings of the Committee.
- The Committee meets alone with the external auditors, and, separately with the Group Head of Internal Audit, at the end of every Committee meeting (except for the ad hoc meeting convened in June 2023 to review external audit tender proposals). The Committee also meets periodically with management.

Significant accounting judgements and estimates considered in relation to the 2023 financial statements:

The significant accounting judgements and estimates considered by the Committee in relation to the financial statements for the year ended 31 December 2023 are summarised below.

– Changes in the Group - sale of the Group's businesses in Russia and Belarus:

The Committee assessed the accounting treatment applicable to completion of the sale of the Group's businesses in Russia and Belarus, including the basis for deconsolidation of those businesses from the Group financial statements on completion of the sale, the treatment of the sale as not a discontinued operation and the recognition of impairment charges, foreign exchange charges and associated costs as non-cash adjusting items (see note 6(j) in the Notes on the Accounts).

– Significant tax exposures for the Group:

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 developments in various markets, including tax disputes in the Netherlands. The Committee concurred with management's assessments and disclosures in respect of these tax exposures (see note 10 and note 31, respectively, 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 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 2024. The Committee determined it continued to be appropriate to consolidate ITCAN's financial results in the Group financial statements whilst ITCAN continues to be subject to the CCAA proceedings. The Committee also reassessed the accounting treatment applicable to other ongoing tobacco-related litigation to which ITCAN is a defendant and confirmed that it remained 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).

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 Deferred Prosecution Agreement/OFAC civil settlement agreement: Following the agreement reached with the DOJ and OFAC in April 2023 to resolve previously disclosed investigations into suspicions of sanctions breaches, the Committee assessed recognition of an additional charge to reflect the total amounts payable to U.S. authorities under the settlement arrangements, having previously approved the recognition of a provision in the interim financial statements to 30 June 2022 (see note 31 in the Notes on the Accounts).

– Income and receivables related to VAT on social contributions in Brazil:

Following the conclusion of claims made by a Group subsidiary related to the calculation of VAT on social contributions made in Brazil, the Committee assessed the accounting treatment applicable to the recovery of tax credits during 2023. The Committee also considered the accounting treatment applicable to further claims relating to the calculation of tobacco excise within social contributions in Brazil and considered it appropriate to recognise the impact of those claims within adjusted income and normal operating profit (see note 17 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 reviewed 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:

U.S. Business: Following a review of the U.S. combustibles market that recognised the post-COVID-19 performance projections, assumptions related to the potential menthol ban, growth of illicit single-use vapour products and continued macro-economic headwinds, the Committee concluded that it was appropriate to recognise an impairment charge of £23.0 billion in 2023 and to commence amortisation of the U.S. combustibles brands from 1 January 2024, over a period of between 20 and 30 years. The Committee agreed with Management that it was appropriate to assess the future value in use of the combustibles brands over the useful economic lives noted above, as compared to the indefinite-lived perpetuity calculation used in prior periods. The Committee also concluded that, due to the macro-economic headwinds and revised forecasts, an impairment charge to goodwill of £4.3 billion would also be recognised in 2023.

Imperial Tobacco Canada (ITCAN): The Committee concluded that in respect of Group subsidiary ITCAN, there was no indication of impairment to goodwill, taking into account the status of ongoing proceedings (including the CCAA process in respect of which there had been no significant developments during the year).

South Africa: The Committee concluded that in respect of the Group's South African operation, an impairment charge of £291 million was appropriate due to the lower forecast cash flows as the market has been negatively impacted by higher illicit trade and increased regulation.

– Investments in Associates - Organigram Holdings, Inc. (OGI):

Following recognition of an impairment charge against the carrying value of the Group's investment in OGI in 2022, the Committee concluded it was appropriate to recognise an additional impairment against the investment carrying value as a result of further reduction in OGI's market capitalisation.

– Adjusting items:

The Committee conducted a thorough review of all adjusting items, including amortisation of certain brands, charges related to the completion of the sale of the Group's businesses in Russia and Belarus, the recognition of an additional charge in respect of the settlement arrangements agreed with the DOJ and OFAC and the recognition of a tobacco excise-related social contributions credit in Brazil (see note 7 in the Notes on the Accounts).

Audit, Risk, Internal Control

Audit Committee Continued

Specific risk topics considered by the Committee included:

- 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 (discussed further at pages 128 and 163 to 164);
- climate change risks and their impact on the Group, including oversight of processes in place to manage physical and transitional climate change risks, and annual reporting on the identification, assessment and management of those risks, in alignment with the TCFD framework (discussed further at pages 102 to 116 and 127);
- risks related to ESG and continued integration of ESG risks into the Group's risk register, complemented by a ESG risk register (discussed below) to ensure appropriate mechanisms are in place for longer-term identification, assessment and continued monitoring of ESG risks and to support the development of sustainability reporting in alignment with the EU Corporate Sustainability Reporting Directive (CSRD) and other recognised international standards;
- 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 actions to mitigate those risks (discussed on page 126);
- review of the Group's Principal Risks, including identification of cyber security and supply chain disruption as new Principal Risks, and the report on the effectiveness of the Company's risk management system prior to Board assessment;
- 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 consideration; and
- regulatory developments in relation to international sanctions and trade restrictions and updates on the Group's Anti-Financial Crime Procedures, sanctions and supply chain controls and compliance programme.

+ For further information please refer to the Group Principal Risks on [pages 121 to 128](#) and the Group risk factors on [pages 353 to 374](#)

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. This system provides a reasonable, not absolute, assurance against material misstatement or loss. 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 as appropriate at Group, functional, above-market, 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 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 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, with discussion of those risks at a more granular level with senior managers responsible for managing and mitigating them.

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 for the Group (discussed in the context of our TCFD reporting on pages 102 to 116). Climate change and circular economy is maintained 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.

In 2023, two new risks were identified as Principal Risks to the Group; cyber security, reflecting the heightened risks presented by an evolving cyber-threat environment, increased digital interaction with consumers and changes to the regulatory landscape; and supply chain disruption, taking into account the macro-economic and geopolitical environment and complex nature of the New Categories supply chain.

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 reviewed regularly by the Committee, prior to Board assessment.

During the year, the Board maintained close oversight of the Group's response to critical external uncertainties arising, 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. The Board and the Committee have monitored the continued integration of ESG-related risks and associated mitigation activities into the Group's risk management framework over the year. ESG-related risks identified through the double materiality assessment conducted in 2022 were mapped and consolidated into a specific ESG risk register, to support consistent management and mitigation of ESG-related risks. The ESG risk register follows the Group's standardised risk methodology, this ensures that each risk is fully assessed and that associated mitigation activities are clearly understood, defined, recorded and reported. ESG-related risks, when rolled up to the Group risk register, form individual drivers and/or impacts to the relevant Group risk in focus. The ESG risk register also supports the business with its sustainability reporting requirements and supports the longer-term quantification of ESG risks.

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 and ESG-related risks. In conducting the oversight responsibilities of the Board and the Committee, both forums meet with senior management during the year to assess key judgements applied.

+ [®]The Board also considered the Group Viability Statement, see [page 129](#) [®]

+ Refer to the Group Principal Risks on [pages 121 to 128](#) and Group risk factors on [pages 353 to 374](#)

Internal controls

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 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).

Cyber Security Risk Management and Internal Controls

Risk management and strategy

Cyber security is a critical aspect of the Group's business operations, as the Group relies on IDT systems and networks to conduct core activities, such as manufacturing, distribution, marketing, customer service, R&D and financial and management reporting, amongst other core activities. The Board recognises that cyber security threats could pose significant risks to the Group's business, reputation, financial condition and competitive position, and to the safety and privacy of our consumers, employees and other stakeholders.

Processes are implemented by the Group to identify, assess and manage material risks from cyber security threats. Cyber security risk assessment and identification processes are integrated into the Group's overall risk management systems and processes, which are overseen by the Board and implemented by management. The Group implements various processes to manage and mitigate the material risks from cyber security threats, including:

- implementing appropriate technical and organisational security measures, such as defensive technologies, encryption, authentication, and backup and recovery systems, to protect the confidentiality, integrity and availability of IDT systems and networks, and the data stored on or transmitted through them;
- providing regular training and awareness programmes to Group company employees and contractors on cyber security best practices and procedures, adherence to our SoBC (including cyber security and information security requirements) and other relevant standards;

- establishing and enforcing vendor management processes such as due diligence and contractual obligations to ensure that third-party service providers with access to Group IDT systems and networks, or that process or store Group data, adhere to our cyber security requirements and standards;
- developing, maintaining and testing thorough incident response and business continuity procedures to ensure that the Group can promptly detect, contain, analyse, report and recover from any potential or actual incidents and minimise their impact on our operations and stakeholders, which procedures would be triggered, as applicable, if any incident were to arise;
- engaging external assessors, consultants, auditors and other third parties as appropriate, to support cyber security risk assessment, identification and management processes and to provide independent assurance and recommendations; and
- engaging with relevant internal and external stakeholders, such as regulators, law enforcement authorities, customers and other industry stakeholders, on cyber security matters and being prepared to disclose any material cyber security risks or incidents in a timely and transparent manner, in accordance with applicable regulations if such issues were to arise.

The Group's cyber security risk assessment, identification and management processes are regularly reviewed and updated to ensure these remain effective and aligned with our business objectives, regulatory obligations and industry standards. Where applicable, feedback and lessons learned from internal and external audits, assessments and any incidents are taken into account in developing the Group's cyber security resilience. Cyber security risk management is integrated into, and follows, the Group's processes for identification of risks to the business as set out on page 162. Risks relating to cyber security are integrated into the Group risk register and are assessed according to the Group's defined impact and likelihood categories, as described on page 162. Risks to the Group associated with cyber security threats are discussed on pages 128 and 355.

Governance and oversight

The Board is responsible for the Group's strategy, including oversight of the Group's IDT and cyber security strategy, and for reviewing the effectiveness of its risk management and internal control systems. On an annual basis, the Board reviews the Group risk register, which incorporates cyber security risks (discussed on pages 128, 162 and 355). In 2023, the Board approved the updated versions of our SoBC and SCoC from 1 January 2024, which both include requirements in relation to cyber security risk management. For more information about the application of the SoBC, see page 98, and page 100 for the application of the SCoC. During the year, the Board also reviewed the Group's IDT strategy and was briefed on the cyber risk landscape by the Director, Digital & Information and external advisers.

Through the Audit Committee's terms of reference, the Board has delegated certain responsibilities to the Audit Committee, including reviewing the effectiveness of the Group's internal controls and business risk systems to ensure there is due process for the identification and management of key business risks and for monitoring the effectiveness of operational controls, reviewing the Group risk register and emerging risks, and monitoring procedures and controls for safeguarding assets including cyber security controls. The Audit Committee reviews the Group risk register twice a year and is briefed periodically on the cyber risk landscape and Group cyber resilience by the Group Chief Information Security Officer (CISO) (reporting to the Director, Digital & Information). The Audit Committee receives reports from the Corporate Audit Committee, which monitors the effectiveness of risk management and internal controls across the Group's functions and oversees the Group's cyber security risk management framework. The Corporate Audit Committee receives quarterly reports from the Group CISO on current and emerging cyber security threats to the Group, measures taken to prevent, detect and respond to those threats and efficacy of cyber security controls and incident response plans.

Audit, Risk, Internal Control

Audit Committee Continued

The Group maintains a dedicated cyber security team, led by the Group CISO, responsible for developing and implementing the Group's cyber security strategy, standards and procedures, including to address any material incident that might arise. The Group's cyber security team has appropriate professional expertise, knowledge and experience in the field, including to identify, assess and manage cyber security risks, maintain appropriate security monitoring, incident response and business continuity procedures, and to implement those should an incident arise. All senior members of the cyber security team, including the Group CISO, hold industry certifications relevant for their roles and responsibilities, for example CISSP (Certified Information Systems Security Professional) or CISM (Certified Information Security Manager), relevant SANS certifications in cyber defence teams (such as Certified Incident Handler, Continuous Monitoring Certification, Certified Forensic Analyst), CRISC (Certified in Risk and Information Systems Control), CISA (Certified Information Systems Auditor) and/or CGEIT in governance, risk and compliance teams (Certified in the Governance of Enterprise IT). All members of the cyber security team have prior industry experience relevant to their current position. The Group CISO has over 20 years of information security experience having held multiple roles in industry, most recently as CISO for GSK's Pharmaceutical, Supply Chain and R&D divisions prior to joining the Group.

The Group's cyber security team monitors and evaluates the evolving cyber security threat landscape and conducts periodic assessments of the Group's IDT systems and networks, using various tools including vulnerability scans, penetration tests and audits, to identify and prioritise potential cyber security risks and vulnerabilities. Key outcomes of assessments and incident summaries are reported to the Director, Digital & Information, and periodically to the Audit Committee, along with recommendations for mitigating or remedying any identified risks. Any material cyber security incidents would also be reported to the Audit Committee in accordance with the Group's incident response procedures, should any such incident arise.

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 reviewed by the Committee and refreshed on a three-year cycle. 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 (with the last external effectiveness review conducted in 2019). The Committee considers the Internal Audit function to be effective and to have the necessary resources to fulfil its mandate.

2023 Internal Audit Plan

The Group's Internal Audit function works to a rolling audit plan, prioritising risk areas aligned to the Group's risk register. During 2023, progress against the Internal Audit plan was regularly reviewed with the Committee to enable monitoring of the ongoing effectiveness of audit work, with flexibility to augment coverage of internal audits in response to emerging risks where appropriate. In 2023, internal audits covered various markets and business units, manufacturing facilities and Leaf Operations in a range of locations and a balanced cross-section of other business activities mapped to the Group risk register, including digital infrastructure and cyber security threat detection; supply chain, route to market and IT efficiency programmes; responsible marketing and data privacy controls; and sanctions compliance procedures. Audits were conducted through balanced use of on-site and remote auditing, combining the benefits of local fieldwork and full scope coverage. Enhanced use of data analytics was embedded into audit assignments during the year to optimise efficiency, effectiveness and coverage of audits, and to deliver more insightful assurance to business units.

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 168.

2024 Internal Audit Plan

The Committee has approved the 2024 Internal Audit plan and assessed its alignment with the Group's risk register to ensure robust coverage of Group risks and balanced coverage of Group activities (measured by value and volume). The design of the 2024 Internal Audit plan anticipates broader use of Internal Audit's catalogue of data analytics developed in 2023 and retains an appropriate combination of remote fieldwork and focused site visits. The plan also takes account of assurance provided by second line of defence functions, including the Group's Business Controls, Security and Business Integrity & Compliance teams.

The scope of the 2024 Internal Audit plan continues to be risk-focused, reflecting the Group's risk register and identified emerging risks. Emphasis will be placed on cyber security infrastructure, sustainability data management, sanctions and other regulatory compliance procedures and responsible marketing controls, alongside thorough coverage of core business activities, lines of defence and IT infrastructure and controls.

Regional and Corporate Audit Committee framework

The Group's Regional Audit 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 Group's regions and for locally-listed Group entities and specific markets where appropriate. The Regional Audit 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 Committees are chaired by the Chief Executive or the Finance Director, comprise members of the Management Board and regularly attended by one or more Non-Executive Directors.

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

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 Group's risk management and internal control processes, and the reports these give rise to, enable the Board and the Audit 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 2023. The Board is satisfied that the Group's system of risk and internal control management accords with the UK Corporate Governance Code and satisfies the requirements for internal controls over financial reporting.

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. During 2023, the Committee conducted a formal tender process in respect of the external audit for the 2025 financial year, this is discussed further on pages 159 and 167.

The external auditors report to the Committee in depth on the work programme, scope and outcomes of the annual audit, including their procedures in relation to internal controls over financial reporting.

There is regular and open communication between the Committee and the external auditors and with management. 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, inviting challenge and giving due consideration to points raised by the external auditors. During the year, the Committee also met independently with the external audit partner after every Committee meeting (with the exception of the ad hoc meeting convened in June 2023 to review the external audit tender proposals from candidate firms).

Outside of Committee meetings, the Committee Chair, the Finance Director, the Director, Legal & 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 and the progress of the external audit. Any significant issues are also included on the Committee's agenda. More broadly, access to personnel and records across the Group is facilitated as required to enable the external auditors to conduct the external audit.

External auditor effectiveness

The Committee carries out an annual assessment of the external auditors, including their expertise, qualification and resources, their 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 a range of other factors, including:

- experience and expertise of the external auditors in their communications with the Committee;
- their mindset, objectivity and approach to challenging management's assumptions and judgements where necessary;
- the effectiveness and efficiency of the external auditors in completing the agreed external audit plan and whether that plan has been met;
- their approach to handling significant audit and accounting judgements;
- content, quality and robustness of the external auditors' reports;
- the Committee's review of the content of the external auditors' management letter, and other communications with the Committee, to assess their understanding of the business and whether recommendations have been acted on (or if not, the reasons why not acted on);
- provision by the external auditors of non-audit services, discussed below, and other matters that may impact on their independence; and
- relevant reviews and reports issued by external regulatory bodies, including the FRC and the PCAOB.

The Committee's assessment is further informed by feedback from the Group's Internal Audit function and from a survey completed by members of the Group's senior management to obtain their perspectives on the effectiveness and quality of the external auditors' work.

Audit Committees and the External Audit

Minimum Standard

The Company and its Audit Committee apply the 'Audit Committees and the External Audit: Minimum Standard' (Standard), published by the FRC in May 2023.

This Annual Report and Form 20-F, and particularly this Audit Committee report, sets out how the Standard has been applied during the year. Pages noted below refer to specific discussion relevant to the application of the Standard in this Annual Report and Form 20-F.

Responsibilities

The Committee's responsibilities are set out in its terms of reference, available at www.bat.com/governance. An overview of the Committee's responsibilities is provided at page 159 and the Committee's work programme for the year is discussed at page 160.

The Chair of the Committee provides a briefing to the Board following each Committee meeting covering the Committee's activities, including how it has undertaken its responsibilities in relation to the external audit.

The annual investor engagement programme provides a range of opportunities for shareholders to engage with the Company on governance topics, including the scope of the external audit. The Chair and other members of the Committee are available to meet with major shareholders on request. There were no requests from shareholders in 2023 for any specific matters to be covered in the audit.

Tendering

How the Committee has carried out its responsibilities in relation to the external audit tender process for the 2025 financial year is discussed on page 167, with details of the criteria used to make the selection and the process followed.

All members of the Committee were involved throughout the external audit tender process conducted during the year.

Oversight of auditors and audit

The Committee is responsible for overseeing and assessing the external audit and the external auditors. The Committee's approach to reviewing the effectiveness of the external audit process and the external auditors' independence and objectivity is discussed at page 165. The Group maintains an Auditor Independence Policy set out at page 166 and its application is overseen by the Committee.

The Committee has reviewed the FRC's audit quality inspection and supervision report issued in respect of KPMG in July 2023 and has discussed the findings of that report with the External Audit Partner.

Reporting

The work of the Committee during the year is set out in the Audit Committee's report, including significant issues that the Committee considered in relation to the financial statements at page 161. An explanation of the application of the Group's accounting policies is provided in the Notes on the Accounts at pages 215 to 219.

Information about the FRC's review of the Company's Annual Report and Accounts to 31 December 2022 is set out on page 168. There were no other regulatory inspections in relation to the Company's financial statements or audit for financial year 2022. Information about the limited scope review of the Company's Annual Report and Accounts to 31 December 2021 conducted by the FRC is provided in the Annual Report and Form 20-F for 2022.

The external auditors provided certain non-audit services to the Group during the year and information on how auditor independence and objectivity are safeguarded is provided on pages 165 and 166.

Audit, Risk, Internal Control

Audit Committee Continued

There were no material issues or risks to audit quality identified through the external auditor effectiveness review in 2023. The review identified certain opportunities to introduce further efficiencies, including through more extensive use of digital tools in audit processes. Actions identified have been discussed between the external auditors and management and taken into account for planning for the following annual audit.

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

The Committee considers it is in the best interests of the Company's shareholders for KPMG to remain as external auditors for the following financial year and has recommended to the Board that KPMG are proposed for reappointment as the Company's external auditors at the 2024 AGM.

Audit Partner Rotation

The tenure of the current external audit partner, Mr Philip Smart, commenced from the start of the audit for the financial year 2021. Audit Partner rotation is implemented in accordance with the requirements of the FRC Ethical Standard and the U.S. SEC independence rules on partner rotation.

External audit fees

The Committee is responsible for approving the terms of engagement and remuneration of the external auditors and has approved KPMG's terms of engagement and level of fees for 2023.

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 thresholds in the Auditor Independence Policy 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 2023 is provided in note 6(m) in the Notes on the Accounts and is summarised as follows:

Services provided by KPMG and associates 2023		
	2023 £m	2022 £m
Audit services	20.8	20.4
Audit of defined benefit schemes	0.2	0.2
Audit-related assurance services	6.9	7.1
Total audit and audit-related services	27.9	27.7
Other assurance services	0.9	0.9
Tax advisory services	—	—
Tax compliance	—	—
Other non-audit services	—	—
Total non-audit services	0.9	0.9

Note:

In 2023, non-audit fees paid to KPMG amounted to 3.2% of the audit and audit-related assurance fees paid to them (2022: 3.2%). All audit and non-audit services provided by the external auditors in 2023 were pre-approved by the Committee.

Group Auditor Independence Policy (AIP)

The Group has an established AIP, reflecting the requirements of applicable regulations, 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 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 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 U.S. securities laws and the PCAOB;
- prohibits the Chief Executive, Finance 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.

Spotlight

External auditor tender for financial year 2025

As part of the Company's Full-Year 2022 Preliminary Announcement issued in February 2023, it was announced that the Committee had commenced planning for a competitive tender process in respect of the external audit for the 2025 financial year, in compliance with applicable regulations.

In 2023, the Committee led a thorough competitive tender process, supported by the Group Head of Internal Audit and other members of senior management, taking into account the FRC's guidelines on audit tenders throughout the process.

The timetable for the tender process was designed to permit sufficient time to enable any new auditor firm to fully prepare to assume responsibility for a complex, international audit across the Group and to plan for an orderly transition of non-audit services if there were to be a change of auditor. This approach facilitated engagement with the widest available range of potential candidate firms.

The overarching objective of the tender process was to appoint the firm that would provide the highest quality, most effective and efficient audit. Objective decision criteria were set by the Committee, designed to support this overarching objective.

Overview: Qualitative decision criteria**Audit quality**

- Technical expertise, experience and effectiveness of the firm and proposed team, including geographical coverage and capabilities; quality methodology; approach to SOx procedures.
- Approach to achieving (where applicable) and maintaining independence.
- Future capability to deliver the external audit in the context of evolving regulatory frameworks, particularly in relation to internal controls, sustainability and cyber security.
- Audit quality indicators, auditor quality record, regulator findings and actions taken in response.

Audit effectiveness

- Capabilities in areas of the audit requiring the exercise of judgement.
- Audit methodology, review processes and approach to interactions with technical review teams.
- Approach to effective use of technology and data analytics in the audit.
- Experience in transitioning comparable audits.

Audit efficiency

- Experience of driving audit efficiencies, including through the use of technology and data analytics.
- Knowledge sharing capabilities within the firm and across financial years.
- Approach to evolving the scope, process and efficiency of the audit over a projected 10-year plan.

Fees

- Whilst not a significant aspect of the decision criteria, audit fee proposals formed part of the request for proposal, including transparency of cost drivers and opportunities for cost efficiencies.

Selection process

The Committee gave careful consideration to the potential candidate firms that would be invited to tender.

As part of this initial stage of the process, the Committee Chair held meetings with a range of Audit Partners from potential candidate firms, supported by the Finance Director and the Group Head of Internal Audit, to assess interest and capability to tender for the audit with focus on geographical coverage, capability and resources to conduct a complex and international audit. At this stage in the process, due consideration was given to the capabilities of mid-tier firms to conduct the external audit.

Following review, the Committee gave approval for a request for proposal to be issued to the shortlisted candidate firms that were eligible to tender. The request for proposal was issued to candidate firms in March 2023, including full details of the objective selection criteria to be applied by the Committee.

To ensure that every candidate firm received sufficient information about the Group to adequately inform their tender proposal, each firm then attended a series of meetings, including with members of the Committee and with representatives of senior management, to discuss key topics and markets. To supplement these briefing meetings, the firms were provided with equal access to a broad range of information about the Group and the scope of its audit requirements through a data room.

The Committee reviewed the tender proposals from each of the candidate firms and considered the findings of recent FRC reports on audit quality and quality indicators in respect of each candidate firm. The Committee met in June 2023 to receive presentations from each firm, led by the proposed Audit Partner. All members of the Committee attended that meeting, all other members of the Board were also invited to attend.

Committee recommendation

Following thorough review of each of the candidate firms' proposals and presentations, the Committee was satisfied that each firm had fully participated in the tender process, had demonstrated the capability, geographical reach and capacity to act as the external auditor and, where applicable, would be able to demonstrate independence within required timeframes if selected. Accordingly, the Committee made its selection on the basis of its assessment of the relative abilities of each of the candidate firms to deliver against the objective decision criteria.

At the Board meeting in July 2023 the Committee recommended two of the candidate firms to the Board, with the Committee's preference to appoint KPMG and supporting justifications.

The Committee's recommendation was accepted by the Board and a resolution proposing the appointment of KPMG as the external auditor for financial year 2025 will be put forward to shareholders for approval at the 2025 AGM, as previously announced in the Company's Half-Year report to 30 June 2023.

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 2023.

Audit, Risk, Internal Control

Audit Committee Continued

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 2023 Annual Report and Form 20-F drafting and review processes, and engaged with the Finance 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 2022

The FRC carried out a review of the Company's Annual Report and Accounts for the year ended 31 December 2022. The FRC's correspondence with the Company in 2023 raised several queries in respect of goodwill impairment analysis, the approach to impairment of former Group businesses in Russia and Belarus and the presentation of derivatives cash flow. This review was concluded in 2023. The outcomes of the UK FRC's review were reviewed by the Committee and have been taken into account in the preparation of this Annual Report and Form 20-F for 2023, with a number of enhanced disclosures including in relation to the Group's viability statement to provide users with greater insight as to potential impacts on the Group's future operations.

The review conducted by the FRC was based solely on the Company's Annual Report and Accounts to 31 December 2022. The FRC's review does not provide any assurance that the Company's Annual Report and Accounts to 31 December 2022 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 sustainability metrics and related information

Robust procedures are maintained for reporting sustainability metrics and related information for the Group in the Annual Report and Form 20-F, supported by external assurance over defined sustainability metrics and related information conducted by the external assurance provider KPMG LLP. The Committee has approved KPMG's provision of assurance services in accordance with the requirements of the Group Auditor Independence Policy.

The work of the external assurance provider is overseen by the Committee during the year. In 2023, this included review of scoping and planning activities for assurance to be conducted over sustainability metrics, monitoring progress of assurance activities against the annual work plan, review of KPMG's report on assurance over sustainability metrics and related information reported for the 2023 financial year and discussion of findings with the Assurance Partner. Sustainability metrics and related information subject to external assurance for the 2023 financial year are identified in the assurance report set out at pages 119 to 120.

As regulatory frameworks and international standards for reporting sustainability metrics and related information continue to evolve, the Committee monitors the Group's approach to external assurance of this data, and will oversee a phased adoption of an enhanced external assurance programme to align with anticipated regulatory developments applicable to future reporting years.

SOx compliance oversight

The Company is subject to certain rules and regulations of U.S. securities laws, including the U.S. Securities Exchange Act 1934 and SOx. SOx places specific responsibility on the Chief Executive and Finance 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 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 U.S. securities laws, including SOx. Two committees provided assurance during 2023 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 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 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.

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 2023, 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.


Group Standards of Business Conduct

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. All Group companies have adopted the SoBC or local equivalent.

Every Group company and all staff worldwide, including senior management and the Board, are expected to adhere to the SoBC or local equivalent. The SoBC and the Group's Delivery with Integrity compliance programme are discussed on pages 98 to 99.

The Committee is responsible for monitoring compliance with the SoBC, and reports on this to the Board. 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 Committees, Corporate Audit Committee, and to the Committee.

A breakdown of SoBC contacts and SoBC allegations reported across the Group in 2023 is set out on page 98.

 The SoBC and information on the total number of SoBC contacts and SoBC allegations reported in 2023 (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 2024 and introduced as part of the revised SoBC (discussed on pages 98 and 148). 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 98](#) and [149](#)

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 Director, and other senior financial officers, as required by U.S. securities laws and NYSE listing standards. No waivers or exceptions to the Code of Ethics were granted in 2023.

Political contributions

The Group does not make contributions to UK political organisations or incur UK political expenditure.

The total amount of political contributions made to non-UK political parties in 2023 was £6,044,775 (2022: £4,576,059) as follows: Reynolds American Companies reported political contributions totalling £6,044,775 (US\$7,519,700) for the full year 2023 to U.S. 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 U.S. Federal Election Campaign Act, Reynolds American Companies continue to support an employee-operated Political Action Committee (PAC), a non-partisan committee registered with the U.S. Federal Election Commission that facilitates voluntary political donations by eligible employees of Reynolds American Companies. According to U.S. 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 2023, Reynolds American Companies incurred expenses, as authorised by U.S. law, in providing administrative support to the PAC.

No other political contributions were reported.

Remuneration Report

Annual Statement on Remuneration

Our current Remuneration Policy strengthens the link between remuneration and BAT's strategy: A Better Tomorrow™ and provides further alignment with shareholders and our ESG agenda.

Dimitri Panayotopoulos
Chair of the Remuneration Committee

Remuneration Committee current members

Dimitri Panayotopoulos (Chair)

Kandy Anand

Sue Farr

Murray Kessler

Serpil Timuray

Dear Shareholders,

On behalf of the Board, I am pleased to introduce our 2023 Directors' Remuneration Report. 2023 was challenging and dynamic in equal measure. We continued to accelerate our transformation in line with our strategy: A Better Tomorrow™, while navigating a challenging external environment. High inflation and slower global growth continued to impact consumers and business. Yet our revenue, adjusted profit from operations (on an organic, constant currency basis) and cash performance were resilient, thanks to the hard work and commitment of our people around the world. We are making great progress in our New Categories business in what continues to be a challenging environment, highlighting the strength and resilience of our business.

Board Succession

On 15 May 2023, Tadeu Marroco succeeded Jack Bowles as the Chief Executive who stepped down after four years in the role and 19 years with the Company. The Company has been able to appoint a new Chief Executive with an outstanding track record of developing teams to deliver our transformation. The remuneration arrangements for the outgoing and incoming Chief Executive are in line with the Directors' Remuneration Policy approved by shareholders and were disclosed at the time of the announcement.

On appointment, Tadeu's annual base salary was set at £1,343,700, a 3% reduction versus his predecessor's salary as at April 2023 (£1,385,300). The Committee believes that this salary level is representative of Tadeu's skills and experience and was appropriately positioned in market terms at the time of appointment. As a Chief Executive, Tadeu will continue to receive a pension allowance of 15% of annual base salary in line with the contribution level for the wider UK workforce, and other benefits as defined by the Directors' Remuneration Policy.

He will continue to participate in the Company's existing short-term and long-term incentive schemes in line with the Directors' Remuneration Policy.

Details related to the treatment of the outgoing Director's remuneration are described further in this report on page 184.

The Board has appointed Soraya Benchikh to the role of Chief Financial Officer and Executive Director. Soraya will join BAT from 1 May 2024. Soraya's base salary on appointment will be set at £800,000, a 5% reduction versus her predecessor's salary as at April 2023 (£843,600). Soraya's remuneration will be set in line with the Directors' Remuneration Policy. Further details are available on page 186 in this report.

Shareholder Engagement

At the 2023 Annual General Meeting, the Committee was pleased with the strong support received for our 2022 Directors' Remuneration Report (95.18% votes in favour). On behalf of the Remuneration Committee, I would like to thank shareholders and their advisory bodies for their continuous engagement and valuable input. During 2024, we will commence our next iteration of engagement as part of the review of our Directors' Remuneration Policy, which will be presented to shareholders at the 2025 Annual General Meeting. The Committee will examine whether the current remuneration policy remains appropriate in supporting the future strategic direction of BAT in delivering sustainable growth, encouraging more consumers to transition to reduced-risk products[†] and reducing the health impact of our business. We look forward to engaging with shareholders later in 2024.

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 2023 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 UK Corporate Governance Code. Revised terms of reference were introduced with effect from 1 September 2023.



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

Remuneration Policy and ESG

Our Remuneration Policy has strong links with BAT's strategy, A Better Tomorrow™, providing close alignment with our ESG agenda and shareholders' interests. We have put 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.

Our current Directors' Remuneration Policy firmly embeds ESG into our Executive Directors' remuneration through New Category performance measures which directly support our strategic aim to Build a Smokeless World. Tobacco Harm Reduction is a key component of our ESG strategy and is identified in BAT's 2023 Double Materiality Assessment (page 74) as having the greatest outward impact on society and the environment, the greatest inward impact on BAT, and the greatest financial materiality. Pay outcomes under the Short-Term Incentive (STI) and vesting outcomes from the Long-Term Incentive (LTI) awards granted from 2022 onwards provide a direct link between our strategy and ESG agenda and executive remuneration through the following measures: New Categories revenue growth and New Categories contribution. It is our intention to continue to review the alignment of executive pay with ESG and we will consider this as part of the Directors' Remuneration Policy review.

Performance and Remuneration Outcomes for 2023

The "At a Glance" section provides an overview of our financial performance and how it translates into outcomes under the STI and LTI plans, with further details provided on pages 176 and 177. 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 during the year and confirmed that no discretion has been exercised by the Committee.

2023 Target Setting

The performance targets set by the Committee early in the year have remained unchanged throughout the 2023 performance period. 2023 target setting continued to focus on our ambition to reach £5 billion of New Category revenue and achieve New Category profitability, while delivering value through our combustibles business supported by strong cash flow generation to reduce leverage and provide flexibility to the Group.

The New Categories revenue growth targets in both the STI and LTI emphasise the importance of New Categories growth in 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.

In 2023, the Group finalised the sale of the Russian and Belarusian businesses. The 2023 STI targets were set excluding the Russian and Belarusian businesses, and the results were assessed on the same (organic) basis.

The 2021 LTI performance measures and targets have remained unchanged during the three-year performance period. In assessing performance results for the 2021 LTI award against the targets set at the start of the performance period, performance has been assessed excluding the Russia and Belarusian businesses disposal impact from the 2023 results. Performance in the years of 2021 and 2022 will remain as previously reported.

This approach provides a fair, balanced, and understandable measurement of the LTI outcomes by excluding material one-off events to ensure comparability period to period.

2023 Short-Term Incentive

Our 2023 performance demonstrated our continued focus on delivery against our strategic priorities, with New Categories being a greater driver of Group performance and a key performance metric of the STI and the LTI. In 2023, organic revenue growth continued (at constant rates of exchange), led by pricing and organic New Category revenue growth which increased by 21.0% to £3,312 million (at constant rates of exchange). New Categories organic contribution, improved by £363 million through volume growth, strong pricing and cost of sales productivity savings. We have outperformed the 2023 targets for this measure, 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 organic profit from operations (at constant rates of exchange) improved by 3.9%, driven by accelerated growth in New Categories, strong pricing, optimised resource allocation, productivity savings, and further costs saving initiatives. Cash delivery continued to be strong realising over £7.9 billion of adjusted organic cash generated from operations. Group volume share (of cigarette and HP) in key markets reduced by over 10 bps. The above performance translates into a result of 61.3% of maximum opportunity. Further details of the performance against targets for the 2023 STI measures are set out on page 176.

2021 Long-Term Incentive

In assessing performance results for the 2021 LTI award against the targets set at the start of the performance period, performance has been assessed on an organic basis for the 2023 results by excluding the Russian and Belarusian businesses disposal impact (where applicable) as described above.

The outcomes are reflected below:

- Total shareholder return (TSR) relative to peers (20%): Resulted in BAT TSR ranking 13th amongst our TSR peer group of 24 companies (page 177).
- Adjusted diluted earnings per share (EPS) (40%): We measure adjusted diluted EPS at current and constant rates of exchange (equally weighted). The three-year adjusted diluted EPS compound annual growth rate (CAGR) was 4.7% and 5.9%, at current and constant rates, respectively.
- Group revenue (20%): The three-year Group revenue CAGR was 4.1% at constant rates of exchange.
- Operating cash flow conversion rate (20%): We have continued our strong track record of cash conversion delivery, resulting in a 101.6% operating cash flow conversion ratio at current rates measured over three years.

The above performance translates into an outcome of 38.2% of maximum for the 2021 LTI.

Following evaluation of the formulaic outcomes for both the STI plan and the LTI, 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 fluctuations are reflected throughout the Chief Executive's remuneration in the vesting and holding periods as well as individual shareholdings. The Committee also considered whether there were any potential windfall gains for the LTI award granted in March 2021 and concluded that an adjustment to the size of the awards was not warranted. More details are provided on page 177.

Corporate governance

As of 1 December 2023, the Remuneration Committee introduced a new Malus and Clawback Policy for Senior Executives that will apply to their current and future awards granted under the Company's short-term incentive (including deferral) and long-term incentive plans. This followed the U.S. Securities and Exchange Commission's adoption of final rules implementing the clawback provisions of the Dodd-Frank Act which required U.S. stock exchanges, including the NYSE, to require listed companies to adopt clawback policies that meet its requirements. This policy will operate in addition to the existing malus and clawback provisions already in place as part of the Directors' Remuneration Policy. Further details are available on page 404.

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.

Remuneration Report

Annual Statement on Remuneration Continued

Wider Workforce Context

We recognise that macro-economic factors continue to affect many of our employees. In 2023, we continued to closely monitor the workforce initiatives designed to address the difficulties that the increasing cost of living has had for our employees and made significant reward-related investments, where appropriate, to support our people, including off-cycle salary increases, targeted increases to address non-management (lower-paid) employee groups and additional interventions to support employees in high inflationary environments (including salary increases, one-off cash payments, temporary fixed allowances). These initiatives covered eight markets with an overall spend of an additional £5.9 million across c.5,000 employees. Additional budgets have been allocated by the Group in 2024 for wider workforce annual salary increases in the UK and globally.

The Committee keeps up to date with the views of our wider workforce drawing from a range of well-established engagement channels worldwide to ensure there is a robust understanding of the issues affecting the workforce globally. For more information on engagement with the wider workforce refer to page 181.

The Committee considers executive pay in this 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.

Living Wage

Living Wage is an ongoing area of focus for BAT. In 2023, in partnership with the Fair Wage Network (FWN) we completed a living wage assessment across our global business, covering more than 42,000 employees, which is 100% of our direct employee population in approximately 100 markets (600+ locations), and received FWN independent accreditation for all the markets included in the scope of the review. We will continue to monitor global living wage references regularly to ensure that our fair and equitable principles for wage setting are upheld.

Pay Equity

In 2023, for the third year in succession, we received an independent accreditation from Fair Pay Workplace for all markets included in the scope, demonstrating our commitment to pay equity in order to create a more equitable and inclusive workplace.

Our pay equity review covers approximately 42,000 employees in more than 100 markets from a gender perspective, and approximately 13,000 employees in 7 markets from an ethnicity perspective (approximately 30% of our global workforce).

The Group results show that men and women are paid within 1% of each other, and ethnically diverse and non-ethnically diverse groups are paid within 1% of one another for doing the same work or work of equal value. This demonstrates that our pay practices are founded on fair and consistent drivers of pay. Further information about the Group's approach to Pay Equality is described in the Diversity and Inclusion Report.

2024 salary changes

In determining the 2024 salary increase for the Chief Executive, the Remuneration Committee noted that in the UK, salary increases for the majority of employees are expected to be around 6% on average.

In addition, the Remuneration Committee also considered the underlying Company performance for the financial year and the individual contribution of the Chief Executive. Since his appointment, Tadeu has brought tremendous focus to the review and refinement of the Group's strategy, including the re-articulation of the Group's values which will be central to the delivery of our ambitions. The Management Board structure has been refreshed and an additional two key appointments, the Chief People Officer and the Chief Financial Officer, were confirmed. The long-standing commitment to sell the Russian and Belarusian businesses has been completed and the Group's transformation has continued to progress in what has been an increasingly difficult external environment.

The Committee also reviewed the market data provided by external consultants to reference the competitive positioning of the Chief Executive's total remuneration in relation to our pay comparator group and wider market. The Remuneration Committee also reviewed the impact of salary adjustments on total remuneration of the Chief Executive to ensure the overall potential quantum remains reasonable. Taking the above points into account, the Remuneration Committee decided to approve a salary increase of 3% for the Chief Executive, which is below the average level of the wider UK workforce.

Looking Ahead to 2024

The Remuneration Committee have reviewed the targets for the 2024 LTI. The Group's LTI structure and performance ranges have remained relatively stable over time, with some performance ranges such as for the EPS measures, being in place since 2013, when the combustibles business was the dominant source of Group revenue and profit performance.

The Committee discussed the importance of ensuring the performance ranges are appropriately calibrated to the Group's business model and future outlook and remain stretching for participants.

We have carefully considered internal forecasts, external market expectations for future growth, and the sensitivities attached to target ranges and decided to make some changes for the 2024 LTI compared to previous awards. While the measures remain unchanged, we have set the targets considering our internal forecasts and external market expectations for future growth, as well as the current business environment in which the Group is operating. Targets under the New Categories revenue growth and adjusted EPS growth (at constant and current rates) measures have been set lower than the targets set for the 2023 LTI to recognise the challenging environment over the forthcoming period, and targets for the adjusted operating cash flow conversion ratio have been set higher. Targets for Group revenue growth and relative TSR will remain the same as for the 2023 LTI. The Committee is confident that the targets remain suitably stretching and incentivising for participants, ensuring only maximum payout for exceptional performance.

In addition, we will review the grant price of the 2024 LTI award, taking into account previous grant prices, and review both on grant and on vesting whether there is or has been any potential for windfall gains. The Committee retains discretion to determine whether the formulaic outcome of the 2024 LTI at vesting is a fair reflection of underlying business performance and consistent with the shareholder experience over the performance period, and if not, to adjust the outcome accordingly. Further details are available on page 185.

In 2023, we continued to accelerate our transformation journey towards A Better Tomorrow™ and create value for all stakeholders. Our current Remuneration Policy drives pay for performance and provides strong alignment with the Group strategy and our ESG agenda. In 2024, we will commence our next iteration of engagement as part of the review of our Remuneration Policy, which will be presented to shareholders at the 2025 Annual General Meeting.

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

7 February 2024

2023 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' expectations and our ESG agenda. In 2023, 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 Chief Executive.

Quality Growth

Sustainable Future

Dynamic Business

2023 Business performance highlights

+21.0%

New Categories
organic revenue growth

£363m

Change in organic New
Categories contribution

+3.1%

Organic revenue

101%

Organic operating
cash flow
conversion ratio

+3.9%

Adjusted organic profit from
operations growth

STI

STI

LTI

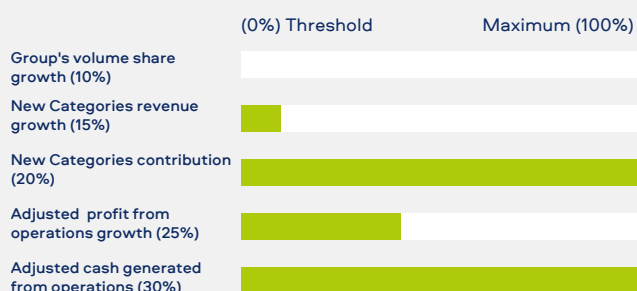
LTI

STI

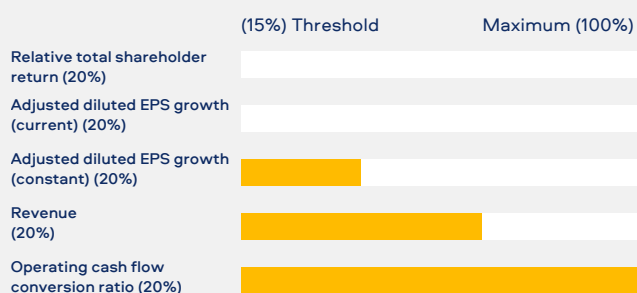
Performance outcomes

STI and LTI outcomes for 2023 are shown in the charts below. Full details can be found on pages 176 and 177.

Short-Term Incentive 2023*



Long-Term Incentive 2021-2023**



Delivery: 50% in cash and 50% in shares

Outcome as % of maximum

61.3%

Chief Executive (£'000)
£1,650

Outcome as % of maximum

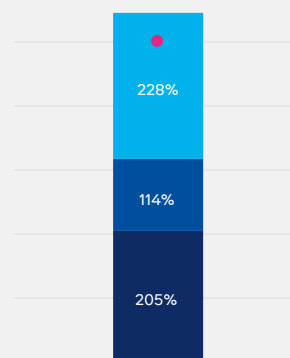
38.2%

Chief Executive (£'000)
£1,371

Current Shareholding as % of salary

Chief Executive 319 %

+ Further details on [page 178](#)



Tadeu Marroco

At risk – unvested subject to performance

Unvested subject to continued employment

Ordinary Shares

Shareholding requirement: 500% of salary

- 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 on a net-of-tax basis.

2023 Remuneration (£'000)

	Base salary	Total Remuneration
Chief Executive	£1,149	£4,588

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

Notes:

* For the STI 2023 targets and performance have been set and assessed excluding the impact of the disposal of the Russian and Belarusian businesses from outcomes.








** In assessing performance results for the 2021 LTIP award against the targets set at the start of the performance period, performance has been assessed by removing the impact of the disposal of the Russian and Belarusian businesses from the 2023 results. Performance in the years of 2021 and 2022 will remain as previously reported.

Remuneration Report

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 2021 Remuneration Report 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. Salaries are reviewed annually, taking into account factors including individual performance, experience and business performance, as well as reference versus appropriate market data ¹ and the approach taken for the general UK employee population.					
Fixed Pay – Pensions and Benefits Pension provides competitive post-retirement benefits arrangements in the form of a 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 Incentive² 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 Chief Financial Officer's on-target opportunity will be 95% of salary and maximum is 190% of salary. Malus and Clawback provisions apply.	 50% cash	 50% shares deferred for 3 years			
Long-Term Incentive² 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 Chief Financial Officer. Malus and Clawback provisions apply.	 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 Chief Financial Officer during their service, and post-employment are required to maintain the same level of shareholding until the second anniversary of cessation of employment.	 Minimum shareholding requirement				

Notes:

1. Pay comparator peer group: Anheuser-Busch InBev, Accenture, Altria, AstraZeneca, Bayer, Coca-Cola, Colgate-Palmolive, Danone, Diageo, GlaxoSmithKline, Heineken, Imperial Brands, Johnson & Johnson, Kraft Heinz, L'Oréal, LVMH, Microsoft, Mondelez International, Nestlé, Nike, Novartis, Procter & Gamble, PepsiCo, Philip Morris International, Reckitt Benckiser, Salesforce, Siemens and Vodafone.
2. Further details on the performance measures for the performance period ended 31 December 2023 can be found on pages 176 and 177.

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.

2023 Annual Report on Remuneration

The below section of the Remuneration Report sets out the Executive Directors' remuneration for the year ended 31 December 2023.

Executive Director remuneration earned in the year ended 31 December 2023 – @Audited@

Single figure of remuneration

£'000	Executive Directors			
	Tadeu Marroco		Jack Bowles ¹	
	2023	2022	2023	2022
Salary ²	1,149	803	495	1,326
Pension	173	121	75	199
Taxable Benefits	243	157	152	292
Other emoluments ³	2	3	—	3
Short-Term Incentives	1,650	1,186	—	2,575
Long-Term Incentives ^{4,5}	1,371	2,345	—	4,592
Total Remuneration	4,588	4,615	722	8,987
Total Fixed Pay	1,565	1,081	722	1,817
Total Variable Pay ⁶	3,023	3,534	—	7,170

Notes:

- Jack Bowles stepped down from the Board on 15 May 2023, and as such the figures shown for the 2023 financial year are for the part of the year during which Mr Bowles served on the Board. Mr Bowles did not receive any short-term incentives for the 2023 performance year and his shares granted under the 2021 LTIP lapsed on departure.
- Tadeu Marroco's 2023 salary figure reflects the increases applied during the year, i.e. it was £803,400 between 1 January and 31 March, £843,600 between 1 April and 14 May and £1,343,700 between 15 May and 31 December 2023.
- 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 2021 LTI award is due to vest, by reference to performance on 29 March 2024, based on completion of the three-year performance period on 31 December 2023. The value shown is based on the average share price for the three-month period ended 31 December 2023 of 2,453p and includes accumulated notional dividends. None of the value of the award is attributable to share price appreciation. The actual value of shares to vest will be the value on 29 March 2026, when the award will fully vest after the additional two-year extended vesting period and is released to the Chief Executive.
- LTIP values shown for 2022 have been restated to reflect the actual closing BAT share price of 2,849p on the date the awards were adjusted for performance and include accumulated dividends.
- No malus or clawback occurred during the year.

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. In his capacity as Finance Director at the time, Tadeu Marroco's salary was increased by 5% (£803,400 to £843,600) and for Jack Bowles, in his capacity as Chief Executive at the time, salary was increased by 4.5% (£1,325,610 to £1,385,300) in April 2023. On appointment as Chief Executive, Tadeu Marroco's salary was set at £1,343,700 effective 15 May 2023, a 3% reduction versus Jack Bowles' salary as Chief Executive.

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 2023 and neither were entitled to defined benefits pension arrangements.

£'000	Employer pension contributions
Tadeu Marroco	£173
Jack Bowles	£75

Benefits

The table below summarises the benefits provided to the Executive Directors in 2023. 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	Other	Total Benefits
Tadeu Marroco	£20	£12	£3	£43	£36	£7	£122	£243
Jack Bowles ²	£2	£6	£8	£34	£16	£78	£8	£152

Notes:

- Security costs relate to annual maintenance and monitoring of personal and home security systems. For Jack Bowles, it includes a one-off cost for the security system upgrade during his employment.
- Jack Bowles stepped down from the Board on 15 May 2023, and as such the figures shown are for the part of the year during which Mr Bowles served on the Board.

Remuneration Report

2023 Annual Report on Remuneration

Continued

Short-Term Incentive outcomes for the Year Ended 31 December 2023

In 2023, our performance was focused on supporting delivery against our three strategic pillars, with New Categories being a greater driver of Group performance, delivering strong alignment with our corporate purpose to build A Better Tomorrow™.

New Category performance measures directly support our strategic aim to Build a Smokeless World, reducing the health impact of our business and delivering sustainable growth through encouraging more consumers to transition to reduced-risk[†] products. Tobacco Harm Reduction is a key component of our ESG strategy and is identified in BAT's 2023 Double Materiality Assessment (page 74) as having the greatest outward impact on society and the environment, the greatest inward impact on BAT, and the greatest financial materiality. New Categories revenue growth and New Categories contribution measures provide a direct link between BAT's strategy, our ESG agenda and pay outcomes under the STI (and vesting under the LTI from 2022 awards onwards).

- **Group volume share growth (10%)** – Group volume share is based on duty-paid cigarettes and HP¹ consumables. The Group's share of key markets reduced in 2023, resulting in a 0% outcome as threshold performance for this performance measure was not achieved.
- **New Categories revenue growth (15%)** (at constant rates) – New Categories revenue growth on an organic basis increased by 21% to £3,312 million in revenue, resulting in a 1.5% outcome out of a 15% maximum for this performance measure.
- **New Categories contribution (20%)** – Measures year-on-year improvement (at constant rates) in organic New Categories Contribution in line with the Group's original break-even expectation by 2025. In 2023, New Categories losses reduced by £363 million (on organic basis), resulting in maximum outcome for this performance measure.
- **Adjusted profit from operations growth (25%)** (on an organic basis, at constant rates) – A 3.9% improvement, driven by accelerated growth in New Categories, strong pricing, optimised resource allocation, productivity savings, and further costs saving initiatives, resulting in a 9.8% outcome out of a 25% maximum for this performance measure.
- **Adjusted cash generated from operations (30%)** – Cash delivery continued to be strong, realising over £7.9 billion of adjusted organic cash generated from operations (at constant rates), 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 2023 – @audited@

Measure ^{1,2}		Weighting	Threshold (0%)	Maximum (100%)	Result	Outcome (max)
Group's volume share growth ^{3,4}	Year on year % growth of Group share of key markets, including HP	10%	0%	<div></div>	6% -10 bps	0.0% (10%)
New Categories revenue	Year on year improvement % in organic revenue from Vapour, HP and Modern Oral at constant rates	15%	20%	<div></div>	30% +21.0%	1.5% (15%)
New Categories contribution	Year on year improvement in organic New Categories contribution (loss reduction vs prior year)	20%	150m	<div></div>	250m £363m	20.0% (20%)
Adjusted profit from operations	Year on year % growth at constant rates of exchange (on an organic basis)	25%	3%	<div></div>	5.4% +3.9%	9.8% (25%)
Adjusted cash generated from operations	Annual adjusted organic cash generated from operations (at constant rates)	30%	£6.8bn	<div></div>	£7.4bn £7.9bn	30.0% (30%)
Total outcome as % of maximum						61.3% (100%)

Notes:

- For the STI, 2023 targets and performance have been set and assessed excluding the impact of disposal of the Russian and Belarusian businesses from outcomes.
- Non-GAAP measures: Organic New Categories revenue, Organic New Categories contribution, adjusted organic profit from operations and adjusted organic cash generated from operations are non-GAAP measures used by the Remuneration Committee to assess performance. Please refer to pages 335 to 349 for definitions of these measures and a reconciliation of these measures to the most directly comparable IFRS measure where applicable.
- In 2023, the definition and measurement of volume share was updated to reflect the emergence of non-tobacco heated consumables within the category.
- 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 2023.

Following evaluation of the formulaic outcomes of the 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 2023 STI outcome for the Chief Executive is as follows:

STI outcome for the year ended 31 December 2023

	Base salary for 2023 (£'000)		Maximum opportunity as % of base salary ^{1,2}		STI outcome (out of 100%)		STI award achieved, (£'000) ³	50% delivered in cash	50% deferred in shares ⁴
Tadeu Marroco	£1,149	x	190% 250%	x	61.3%	=	£1,650	£825	£825

Notes:

- Tadeu Marroco's 2023 STI reflects the maximum opportunity as the Finance Director, which was 190% of base salary between 1 January to 14 May, and 250% of base salary as Chief Executive between 15 May and 31 December 2023.
- Jack Bowles' maximum STI opportunity was 250% of base salary, however, he did not receive any short-term incentives for the 2023 performance year following his departure on 15 May 2023, and is excluded from the table above.
- Malus and clawback provisions apply. Deferred share awards will be released in March 2027, subject to leave and malus and clawback conditions. No further performance conditions apply.

Long-Term Incentive 2021 - 2023

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 Directors' Remuneration Policy. In assessing performance results for the 2021 LTIP award against the targets set at the start of the performance period, performance has been assessed on an organic basis for the 2023 results by removing the impact of the disposal of the Russian and Belarusian businesses. Performance in the years 2021 and 2022 will remain as previously reported. This approach provides a fair, balanced, and understandable measurement of the LTI outcomes, by removing material one-off events, to ensure comparability period to period. The performance results were assessed over the three-year period from 2021 - 2023 as follows:

- **Total shareholder return (TSR) (20%):** BAT TSR ranked 13th amongst our 24 TSR peers resulting in no vesting for this measure.
- **Adjusted diluted 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 three-year EPS compound annual growth rate (CAGR) was 4.7% and 5.9% at current and constant rates, respectively, resulting in 0% and 6% vesting for this measure.
- **Group revenue growth (20%):** The three-year Group revenue CAGR was 4.1% at constant rates of exchange, resulting in 12.2% vesting for this measure.
- **Operating cash flow conversion ratio (20%):** We have continued to demonstrate the ongoing strength of the Group in turning operating performance into cash, resulting in a 101.6% operating cash flow conversion ratio at current rates of exchange over the three years, resulting in full vesting for this measure.

The chart below illustrates performance compared to the targets.

LTI performance measures, weightings and results for year ended 31 December 2023 – [®] audited [®]							
Measure ¹		Weighting	Threshold (15%)		Maximum (100%)	Result	Outcome
Relative TSR ²	Relative to a peer group of international FMCG companies	20%	Median		UQ	13th	0.0% (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%	0.0% (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%	6.0% (20%)
Revenue growth	Compound annual growth measured at constant rates of exchange	20%	3%		5%	4.1%	12.2% (20%)
Operating cash flow conversion ratio	Ratio over the performance period at current rates of exchange	20%	85%		95%	101.6%	20.0% (20%)
Total vesting as % of maximum						38.2% (100%)	

Notes:

- 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 of the 2021-2023 LTI. Please refer to pages 335 to 349 for definitions of these measures and a reconciliation of these measures to the most directly comparable IFRS measure where applicable. In assessing performance results for the 2021 LTI award against the targets set at the start of the performance period, performance has been assessed by removing the impact of the disposal of the Russian and Belarusian businesses from the 2023 results. Performance in the years of 2021 and 2022 will remain as previously reported.
- Relative TSR:** the constituents of the FMCG peer group for the 2021-2023 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.

Following evaluation of the formulaic outcomes for the LTI, 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 on this basis. In addition, the Committee has reviewed the grant price of the 2021 LTIP (2,794p), as well as the share price movement over the 2021 to 2023 performance period, taking into account the BAT share price on 29 December 2023 of 2,453p and was satisfied that no windfall gains have occurred and that no adjustment is required to the award. The Committee noted that the value of shares reflects the share price changes that all shareholders experience and that the value of the 2021 award is at this stage indicative. Shares will not be released to the Chief Executive until after the two-year additional extended vesting period which will end on 29 March 2026.

2021-2023 LTIP outcome [®] audited [®]						
	Shares awarded ¹	Vesting %	Number of shares to vest ¹	Dividend equivalent £'000 ²	Total value to vest £'000 ³	Impact of share price change £'000 ⁴
Tadeu Marroco	115,017	38.2%	43,936	£294	£1,371	-£150

Notes:

- The 230,314 shares granted to Jack Bowles under the 2021 LTI lapsed on his departure on 15 May 2023, and so he is excluded from the table above.
- Value of the dividend equivalents accrued on the proportion of the award that is due to vest only. Dividend equivalents will be delivered as shares following the expiry of the two-year extended vesting period on 29 March 2026.
- The value of ordinary shares to vest is calculated using the average share price for the three-month period ended 31 December 2023 of 2,453p. The actual value of shares to vest will be the value on 29 March 2026, when the award fully vests and is released to the Chief Executive.
- None of the value of the award is attributable to share price appreciation and no discretion has been exercised as a result of share price appreciation or depreciation.

Remuneration Report

2023 Annual Report on Remuneration

Continued

The below table details the shares awarded under the LTI and Deferred Share Bonus Scheme (DSBS) during the 2023 financial year.

Details in relation to scheme interests granted during the year ended 31 December 2023 [®] audited [®]							
	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
Tadeu Marroco	LTI	22 Mar 2023	108,165	2,971	3,214	2023-2025	22 Mar 2028
	DSBS ⁴	22 Mar 2023	19,960	2,971	593	n/a	22 Mar 2026
Jack Bowles ⁵	LTI	22 Mar 2023	223,091	2,971	6,628	—	—
	DSBS ⁴	22 Mar 2023	43,335	2,971	1,287	n/a	22 Mar 2026

Notes:

- Shares awarded represents potential maximum opportunity.
- The market price at award is the price used to determine the number of ordinary shares subject to the awards, which is 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 for the LTI is from 1 January 2023 - 31 December 2025. Performance conditions for the LTI award can be found on page 189. 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 2022 performance as disclosed in the Annual Report and Form 20-F for the year ended 31 December 2022.
- The Remuneration Committee exercised its discretion to enable Jack Bowles to retain his DSBS awards, including the DSBS award granted in 2023. The shares granted under the 2023 LTI lapsed on departure.

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. Executive Directors are required 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 2023.

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

Executive Directors' shareholding as at the year ended 31 December 2023 [®] audited [®]					
	No. of eligible ordinary shares held at 31 Dec 2023 ¹	Value of eligible ordinary shares held at 31 Dec 2023 ² £'000	Actual percentage (%) of base salary at 31 Dec 2023	Shareholding requirements (% of base salary 31 Dec 2023)	Compliance with shareholding requirement
Tadeu Marroco ³	186,645	4,284	319%	500%	No
Former Executive Director					
Jack Bowles ⁴	470,402	10,798	779%	500%	Yes

Notes:

- 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 LTI plan 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 LTI plan 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.
- Value of ordinary shares shown above: this is based on the closing mid-market share price on 29 December 2023 of 2,295p.
- Tadeu Marroco does not yet meet the shareholding requirement as a result of the increase in the requirement following his appointment as the Chief Executive on 15 May 2023, the increase in Mr Marroco's salary, and BAT share price movements at the end of 2023. As such, Mr Marroco may only sell a maximum of up to 50% of any ordinary shares vesting (after tax) under the Company share plans until he has met the threshold shareholding requirement unless a waiver is granted by the Committee.
- Jack Bowles' shareholding is at the time of departure (15 May 2023). Included within the number of eligible ordinary shares held at 15 May 2023 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. Jack Bowles remains subject to a two-year post-employment shareholding requirement of 500% of salary.

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 LTI, and post-employment shareholding requirements which do not apply to other employees.

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 1,600 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 Incentives	<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 – 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 three-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 2,300) are eligible to participate in the Company's all-employee share schemes, Partnership Share Scheme and Share Reward Scheme under our UK Share Incentive Plan, and the Sharesave Scheme. Similar plans are also offered in Germany and Belgium

Process for 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.

Remuneration Report

2023 Annual Report on Remuneration

Continued

Pay Equality at a glance

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. Our Pay Equality Reporting suite was further expanded in 2023 to cover all of the Group's direct employees, reflecting our strong commitment to Pay Equity. Through building a more comprehensive picture of living wage, 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.

103

Markets in scope

42,000

All direct employees

Living Wage

In early 2022, we began a partnership with the Fair Wage Network (FWN) to allow us to develop a better understanding of independently assessed living wage levels. In 2023, the Group committed to paying all our direct employees at least the applicable living wage.

In December 2023, we received independent accreditation from FWN for all our direct employees included in the scope of our living wage review. This certification confirms that we are paying all our employees fairly and in-line with the applicable living wage benchmarks, as defined by FWN. This certification also validates that the living wage analysis is being performed accurately and fairly. For more information, refer to page 89 in the Employee, Diversity and Culture section.

Spotlight

We recognise that macro-economic factors are affecting many of our employees, with rising prices being a source of financial stress. We continue to make significant reward-related investments and commitments that recognise high levels of sustainable, long-term performance in a commercially relevant and equitable way, whilst supporting the diverse needs of our employees:

- Targeted interventions in markets in consideration of macro-economic pressures (for example, inflationary allowances, salary adjustments).
- Additional salary budgets for wider workforce salary increases in the UK and globally.
- Salary budget distribution prioritised towards those most impacted by the external environment.
- Established framework for off-cycle pay increases informed by timely market data and talent dynamics.
- Updated incentives design and delivery with an increased emphasis on cash delivery.

Pay Equity

Our focus on pay equity is to ensure all employees performing the same work or work of equal value are paid fairly and that any differences in pay are for objective reasons. In December 2023, we received our third independent accreditation from the Fair Wage Workplace (FPW) for all the countries included in the scope of our pay equity audits. Certification validates that the pay equity work is being performed accurately and fairly. It also confirms our commitment to identifying and correcting underlying policies, practices, and behaviours, where required to ensure ongoing pay equity, within an agreed timeframe.

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 another for doing the same work or work of equal value.

UK ethnicity pay gap: We are transparent about our ethnicity pay gaps and we are publishing them voluntarily for the third year in a row. We have encouraged our UK staff to share their ethnic backgrounds with us where they are comfortable to do so, to allow us to assess the extent of any pay gaps. Out of the 82% who have done so, 21% are from ethnically diverse backgrounds and 61% are not from ethnically diverse backgrounds. We recognise the different reporting approaches that organisations can take, such as providing disaggregated data. We have evaluated this approach but found that the size of our comparison groups does not allow for statistically robust comparisons to be made at this time. For more information, see the 2023 Diversity & Inclusion report.

Unadjusted Gender Pay Gap

For the first time in 2023, the Group has quantified and is publishing its global unadjusted gender pay gap for all its direct employees. The unadjusted salary gap refers to the overall difference in average earnings between women and men in the global workforce, without accounting for factors such as job level, experience, location, or other relevant aspects that could influence earnings. The consolidated results show a mean pay gap of 14% in favour of women. For more information, see the 2023 Diversity & Inclusion report.

Workforce engagement

The Board keeps up to date with the current views of our wider 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.

Let's Talk – our all-employee virtual call	<p>In addition to the regular workforce engagement activities, in 2023, we conducted our all-employee biennial “Your Voice” survey and introduced new activities:</p> <ul style="list-style-type: none"> – Your Voice 2023: we conducted our latest Your Voice global employee survey with the results of this survey serving as a factor in shaping the reward agenda of the organisation. The employees' views from the survey were collated and presented to the Board. – Values and Culture focus groups: we have run employee global focus groups, where the Chief Executive and the Management Board sought employees' views about BAT's Core Values, what employees appreciated about our current culture and where it could be improved. – Let's Talk: we have also introduced Let's Talk, our new all-employee virtual call where employees can ask the Chief Executive and the Management Board any questions, offering an opportunity to talk freely with no scripts, no slides and no filters. These all-employee calls are designed to open a two-way, transparent dialogue directly with the Management Board and support our cultural transformation to drive a collaborative and empowering culture. <p>Feedback from these channels is collected across the Group and is independently analysed to ascertain 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, which gives the Board an opportunity to understand the views of our workforce, review details of the key themes identified and evaluate 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.</p>
Your Voice – our global employee survey	
Speak Up channels – Global and independently managed	
Employee Focus Groups	
Town Halls	
Works Councils	
Directors' market and site visits	

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 page 148), the Main Board 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. Matters considered by the Committee during 2023 included the design of the Group's incentive plans as applicable to the wider management population, including incentive opportunity levels.

Remuneration Report

2023 Annual Report on Remuneration

Continued

Other Information Relating to Executive Directors' Remuneration for the Year Ended 31 December 2023

The below table details the comparative figures for Chief Executive remuneration for the performance years 2014 to 2023.

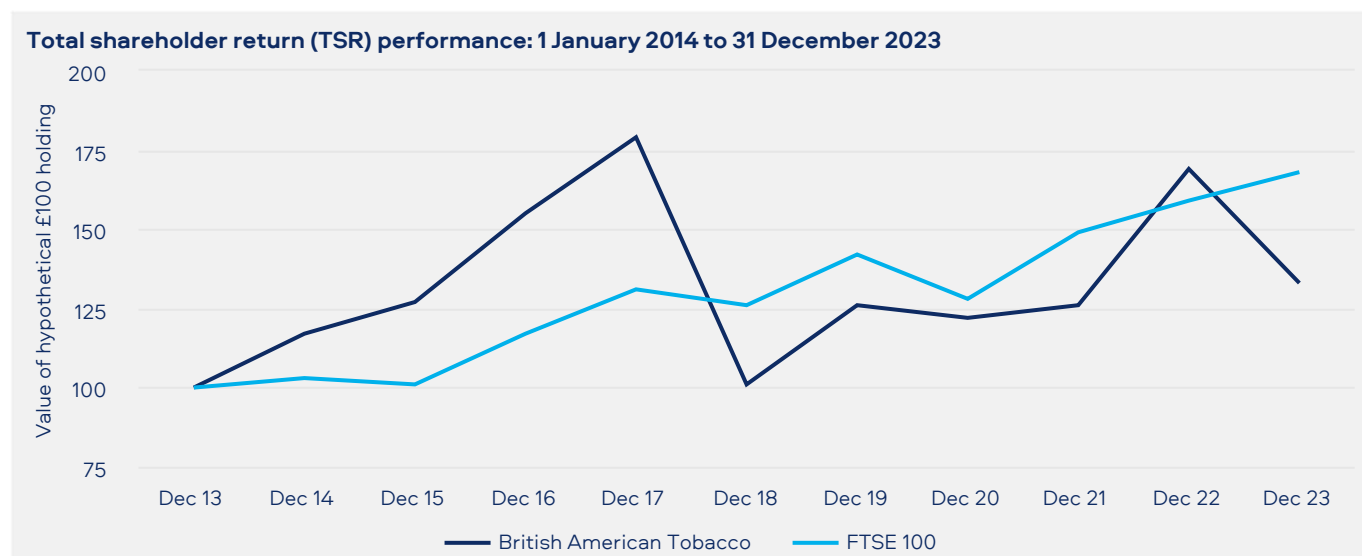
	Nicandro Durante						Jack Bowles				Tadeu Marroco	
	2014	2015	2016	2017	2018	2019 ¹	2019 ¹	2020	2021	2022 ²	2023 ³	2023 ³
Chief Executive's 'single figure' of total remuneration (£'000)	3,617	4,543	8,313	10,244	8,651	3,054	3,512	4,954	8,063	8,987	722	3,798
STI paid as % of maximum opportunity	73.2%	100.0%	100.0%	97.2%	100.0%	50.0%	96.0%	71.1%	85.7%	77.7%	—%	61.3%
LTI paid as % of maximum opportunity	—%	8.7%	46.0%	96.1%	70.5%	69.3%	69.9%	54.2%	49.1%	58.9%	—%	38.2%

Notes:

- For 2019, the 'single figure' reflects the respective periods 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.
- The 2022 figure has been updated to reflect the restated 2022 LTI amounts for the Chief Executive as per the single figure table on page 175.
- For 2023, the 'single figure' reflects the respective periods for which Tadeu Marroco and Jack Bowles served as Chief Executive. Jack Bowles stepped down from the Board on 15 May 2023.

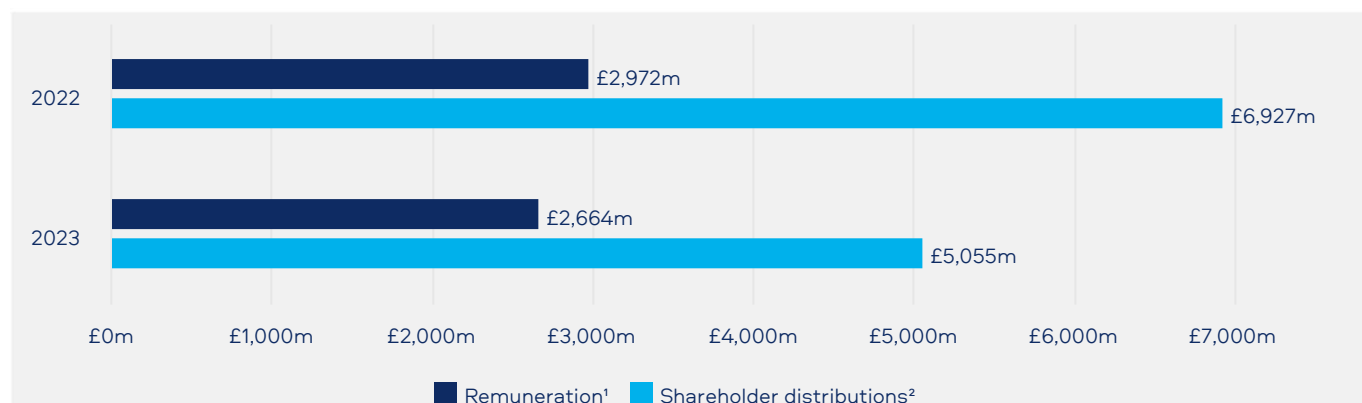
Performance graph

The graph below shows the TSR of the Company and the FTSE 100 index over the 10-year period 1 January 2014 to 31 December 2023. The chart shows the growth in value of a hypothetical £100 invested on 31 December 2013. The FTSE 100 index was selected as an appropriate comparator group by the Committee due to the Company's position within the FTSE.



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 2022 and 2023. In 2023, there was a 27.0% reduction in distributions to shareholders and a 10.4% reduction in total employee remuneration costs.



Notes:

- Remuneration: represents the total employee remuneration costs for the Group, set out on page 223 within note 3 in the Notes on the Accounts.
- Shareholder distributions represent the total dividends paid and share buybacks made in 2022. For 2023, the amount represents the total dividends paid in 2023. For further details please refer to page 56.

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 - 2023. The table also includes the salary and total remuneration figures for employees at each percentile for 2023.

Year	Method	25th percentile pay ratio	Median pay ratio	75th percentile pay ratio
2023 ¹	Option A	85:1	51:1	23:1
2022 ²	Option A	167:1	108:1	43:1
2021	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 2023	25th percentile	Median	75th percentile
Salary	£39,296	£61,631	£110,850
Total Remuneration ³	£53,401	£88,731	£195,708

Notes:

- The 2023 pay ratio figures are based on the prorated single figure for the Chief Executive, reflecting the respective periods for which Tadeu Marroco and Jack Bowles served in the role. Jack Bowles stepped down from the Board on 15 May 2023.
- 2022 pay ratio figures have been updated to reflect the restated 2022 LTI amounts for the Chief Executive as per the single figure on page 175.
- Total Remuneration for the employees is based on the UK employees' data as at 31 December 2023, 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 2023 to 31 December 2023;
 - 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 payouts 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.

Option A uses the total full-time equivalent remuneration for all UK employees for the financial year ended 31 December 2023 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 175 has been used. The figure that has been used in the calculation of the 2023 pay ratio is a combination of remuneration data for both Mr Bowles and Mr Marroco, recognising the transition in the Group's leadership during the year.

The figures above show that there has been a significant decrease in the pay ratio across all quartiles from 2022 to 2023. The decrease is mainly attributable to the Chief Executive's lower 2021 LTIP vesting amount, which was granted to the Chief Executive in his capacity as Finance Director at the time, and a reduction in share price lowering the value of his LTI as stated in the single figure table. The majority of 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 the variable pay opportunity accounting for 80% to 90% of total remuneration for the Chief Executive. 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% of salary.

The Company believes the median pay ratio for 2023 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 178.

Remuneration Report

2023 Annual Report on Remuneration

Continued

Chair and Non-Executive Directors' Remuneration for the Year Ended 31 December 2023 – @Audited@

The following table shows the single figure of remuneration for the Chair and Non-Executive Directors in respect of qualifying services for the year ended 31 December 2023, together with comparative figures for 2022.

	Base fee £'000		Chair/Committee membership fees £'000		Taxable benefits ² £'000		Total remuneration £'000	
	2023 ³	2022 ³	2023 ³	2022 ³	2023 ³	2022 ^{3,4}	2023 ³	2022 ³
Luc Jobin (Chair) ⁵	688	670	—	—	17	12	705	682
Kandy Anand	100	85	28	24	4	4	132	113
Sue Farr	142	114	28	27	4	4	174	145
Karen Guerra	100	97	28	27	4	5	132	129
Holly Keller Koeppel ⁶	100	97	55	55	6	15	161	167
Murray Kessler (appointed 6/11/2023)	16	—	4	—	1	—	21	—
Véronique Laury	100	28	28	8	3	—	131	36
Dimitri Panayotopoulos	100	121	55	55	3	2	158	178
Darrell Thomas	100	97	28	27	4	3	132	127
Serpil Timuray (appointed 4/12/2023)	8	—	2	—	—	—	10	—
Former Non-Executive Directors								
Savio Kwan (stepped down 19/04/23)	29	97	8	27	2	3	39	127
Total	1,483	1,406	264	250	48	48	1,795	1,704

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 2023 comprised health insurance and 'walk-in' medical services £9,300 (2022: £8,000), hotel accommodation £5,200 (2022: £3,600), 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.
- The 2023 fees and benefits reflect the following appointment dates: Murray Kessler's appointment as a Non-Executive Director on 6 November 2023 and Serpil Timuray's appointment as a Non-Executive Director on 4 December 2023. The 2022 fees and benefits reflect the following appointment dates: Kandy Anand's appointment as a Non-Executive Director on 14 February 2022, Sue Farr's appointment as the Senior Independent Director on 1 August 2022, Véronique Laury's appointment as a Non-Executive Director on 19 September 2022. The 2022 fees also reflect Dimitri Panayotopoulos's tenure as the Senior Independent Director (May 2020 - July 2022).
- The 2022 Taxable Benefits figures were re-stated for the following directors Luc Jobin, Kandy Anand, Karen Guerra, Savio Kwan, Dimitri Panayotopoulos and Darrell Thomas. This is due to incorrect allocation of travel-related expenses as personal benefits.
- As described in the Annual Report on Remuneration for the year ended 31 December 2022, the Chair's fee was £697,000 from 1 May 2023. Luc Jobin receives a pension in respect of prior service to Inasco Limited (acquired in 2000 by the Group) and Imperial Tobacco Canada Limited, a subsidiary of BAT. In 2023, this amount was CAD\$150,228 (£88,878), in 2022: CAD\$150,228 (£94,232).
- 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 U.S. Internal Revenue Code of 1986, as amended, and the Director's existing deferral elections.

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

Mr Bowles stepped down from the Board on 15 May 2023. As part of the termination arrangements, Mr Bowles will be receiving payment in lieu of notice equivalent to 12 months salary (£1,385,300) in respect of his 12-month contractual notice period. Payments will be made in equal monthly instalments. Insured benefits with total value of £16,224 (comprising medical insurance and personal accident benefits) will continue to be provided to Mr Bowles until the end of the 12-month contractual notice period. Mr Bowles is not eligible for any payments for loss of office.

For the period between 15 May 2023 and 31 December 2023, the value of the payment in lieu of notice paid to Mr Bowles was £873,341, and the value of benefits provided was £21,821 (benefits include medical and personal accident insurance, tax advice from the Company's nominated advisers and home security maintenance costs). In addition, Mr Bowles received a one off payment of £109,810 which relates to overseas taxes paid by the Company in respect of his employment income in order to protect Mr Bowles to his UK tax position in line with the Company policy for the wider workforce. A capped contribution of £25,000 was made to Mr Bowles towards legal fees incurred in respect of his termination and an amount of £100 was paid in respect of post-employment covenants.

Mr Bowles has not received an annual bonus under the Company's Short Term Incentive Plan in respect of the financial year 2023 and his LTI awards granted in 2021, 2022 and 2023 have lapsed in full. Mr Bowles outstanding deferred bonus awards will be released on the original timetable, subject to malus and clawback provisions. He will also retain LTIP awards granted in 2019 and 2020, which have completed their three-year performance periods. These awards will be released following a two-year additional vesting period in March 2024 and March 2025, respectively. These awards will continue to be subject to malus and clawback provisions. At the termination date, Mr Bowles also held 1,103 shares under the BAT Share Incentive Plan, which were treated in accordance with the applicable HMRC-approved rules, and accordingly sufficient shares were sold (230 shares) to cover the applicable taxes, and the remaining 873 shares were transferred to Mr Bowles. Mr Bowles will continue to be subject to the post-employment shareholding requirement (500% of his salary on the date he stepped down from the Board) for two years following cessation of employment (to 15 May 2025). During this period, he will be required to obtain clearance to deal in the Company's shares.

From 15 May 2023, no further Company contributions were paid for Mr Bowles into the UK Defined Contribution arrangement and Unfunded Unapproved Retirement Benefits Scheme (UURBS). In line with Company policy for the UURBS, shortly after leaving, Mr Bowles received a lump sum payment of £1,455,917 in respect of his full entitlement under this Scheme which is a standard approach for employees leaving employment with the Company.

All payments made to Mr Bowles were in accordance with the Remuneration Policy. Other than as set out above, there were no payments to past Directors or for loss of office.

Remuneration policy implementation for 2024

Base Salary for 2024

The Remuneration Committee has determined the following salary for the Chief Executive.

The Remuneration Committee has considered a number of factors in determining the appropriate salary review for the Chief Executive, including: the average salary increase for the wider workforce in the UK, the contribution of the Chief Executive, and the underlying Company performance in 2023. Details of the salary of our Chief Financial Officer on appointment is set out in the next section.

Chief Executive	Base salary on appointment ¹	Base salary from 1 Apr 2024	Percentage change %
Tadeu Marroco	£1,343,700	£1,384,000	3.0%

Note:

1. On appointment, Tadeu's annual base salary was set at £1,343,700, a 3% reduction versus his predecessor's salary as at April 2023 (£1,385,300).

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 2024

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 2024. 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.

Due to the commercial sensitivity of the targets, details for the year ending 31 December 2024 will be disclosed retrospectively in the Annual Report on Remuneration for the year ending 31 December 2024.

2024 STI performance measures and weightings

Volume share growth ¹ (incl. HP)	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 includes HP performance for all major markets (Japan, South Korea, Italy, Poland, Germany, Greece, Hungary, the Czech Republic and Romania).
- New Categories revenue is the revenue derived from the Vapour, HP 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, HP 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.

Long-Term Incentive for 2024

The Chief Executive and the Chief Financial Officer will be granted an LTIP - Performance Share Plan award equal to a maximum of 500% of salary and 400% of salary, respectively. The 2024 PSP award for the CFO will be made on appointment and will be pro-rated for time served in the role. The measures and targets for the 2024 LTIP - Performance Share awards are set out to the right. The following changes have been made to the targets in 2024:

- Operating cash flow conversion ratio range to be set at 87.5% to 97.5%, an increase to the current range to reflect our strong track record cash conversion delivery in recent years and the need to continue strong cash delivery despite expected challenges in earning levels to enable deleverage and capital allocation.
- New Categories revenue growth range will be set at 15% p.a. to 25% p.a., recognising that the previous targets reflected a lower New Categories revenue starting base, whereas New Categories revenues are now at c£3.3 billion at 31 December 2023. The new range continues to represent the Group's ambition to reach £5.0 billion New Categories revenue by 2025.
- EPS growth ranges (at current and constant rates) will be set at 2% p.a. to 6% p.a. This reflects accurately the Group's current business environment while continuing to be sufficiently stretching.
- Targets for Group revenue growth and TSR will remain unchanged.

The targets have been set having carefully considered our internal forecasts and external market expectations for future growth, as well as the current business environment in which the Group is operating. The Committee is confident that the targets remain suitably stretching and incentivising for participants, ensuring only maximum payout for exceptional performance. In addition, the Committee retains discretion to determine whether the formulaic outcome of the 2024 LTIP at vesting is a fair reflection of underlying business performance and consistent with the shareholder experience over the performance period, and if not, to adjust the outcome accordingly.

LTIP measures	Weighting	Threshold (15%)	Maximum (100%)
Relative TSR ¹	20%	Median	Upper Quartile
EPS growth (at constant and current rates of exchange)	30%	2% p.a.	6% p.a.
Revenue growth	15%	3% p.a.	5% p.a.
Growth in New Categories revenue	15%	15% p.a.	25% p.a.
Operating cash flow conversion ratio	20%	87.5%	97.5%
Total	100%		

Note:

1. The 2024 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

2023 Annual Report on Remuneration

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Chief Financial Officer remuneration on appointment

Soraya Benchikh has been appointed to the role of Chief Financial Officer and Executive Director and will join the BAT p.l.c. and Management Boards from 1 May 2024. Ms Benchikh's base salary on appointment was set at £800,000 per annum, a reduction of 5% versus her predecessor's salary as at April 2023 (£843,600). The Committee believes that this salary level is consistent with Soraya's skills and experience and is reasonably positioned within the BAT pay comparator group of international companies.

As CFO, Soraya will receive a pension allowance of 15% of annual base salary in line with the contribution level for the wider UK workforce, and other benefits as defined by the Directors' Remuneration Policy. She will also be eligible to participate in the Company's existing short-term and long-term incentive schemes, on a pro-rated basis for 2024, in line with the Directors' Remuneration Policy.

Conditional on Ms Benchikh commencing employment on 1 May 2024, the following replacement awards will be granted as soon as practicable after 1 May 2024. The replacement awards are intended to cover short- and long-term incentives that are lost by Ms Benchikh from her previous employer on joining BAT. In line with the Policy, the value of the replacement awards is based on an expected value (at a discount to face value where appropriate, taking into account forecast vesting) of the awards being given up. The vesting periods align fully with those being given up:

- A pro-rated cash award in the amount of £721,000 to compensate Ms Benchikh for ceasing to be eligible to receive an annual bonus for the current financial year (June year-end);
- A cash award in the amount of £450,471 and an award of BAT shares which would be immediately available with a market value equal to £247,612 to compensate Ms Benchikh for the forfeiture of restricted stock units and performance share awards which were due to vest shortly after joining BAT in May 2024;
- An award under the BAT Restricted Share Plan with a market value equal to £549,405 on 1 May 2024 to compensate Ms Benchikh for the forfeiture of the restricted stock units and performance share awards which were due to vest in 2025. The award shall vest, subject to and conditional on the terms of the Restricted Share Plan, on 30 September 2025; and
- An award under the BAT Restricted Share Plan with a market value equal to £1,000,365 on 1 May 2024 to compensate Ms Benchikh for the forfeiture of the performance share awards which are due to vest in 2026. The award shall vest, subject to and conditional on the terms of the Restricted Share Plan, on 30 September 2026.

All cash awards are gross amounts and will be subject to applicable deductions in respect of tax and national insurance. At the discretion of the Remuneration Committee, the amounts above are payable or will be granted provided Ms Benchikh provides formal confirmation to the Company, prior to payment, of the forfeiture of the relevant incentive awards granted by her previous employer. In addition, having received formal confirmation from Ms Benchikh that she is required to repay relocation benefits provided to her by her previous employer, the Company will reimburse an amount of £95,940 as a gross payment which will be subject to legally required deductions. All replacement awards will be subject to clawback provisions.

In addition, Soraya Benchikh will be eligible for relocation support to assist her and her family with relocating from Switzerland to the UK. The support will include a housing allowance payable for three years from the start date, a schooling allowance for three years, and other relocation support fully in line with the Global Mobility policy applicable to all the Group's employees. The relocation support will be subject to standard clawback provisions as per the Global Mobility policy applicable to all employees.

2024 Non-Executive Directors' fees

The 2024 Non-Executive Directors' fees structure is set out in the table below. The Chair's fee and the fees for Non-Executive Directors have been reviewed with the changes below to apply in May 2024. 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 3% and the fees of Non-Executive Directors, when viewed in aggregate, will be adjusted by 3%.

	Fees from 1 May 2024 £	Fees to 30 April 2024 £
Chair's fee	718,000	697,000
Base fee	104,800	101,700
Senior Independent Director – supplement	43,150	41,500
Audit Committee: Chair	43,150	42,000
Audit Committee: Member	15,850	15,400
Nominations Committee: Chair	—	—
Nominations Committee: Member	13,600	13,200
Remuneration Committee: Chair	43,150	42,000
Remuneration Committee: Member	15,850	15,400

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			
	2022 to 2023	2021 to 2022	2020 to 2021	2019 to 2020	2022 to 2023	2021 to 2022	2020 to 2021	2019 to 2020	2022 to 2023	2021 to 2022	2020 to 2021	2019 to 2020
Executive Directors												
Tadeu Marroco ²	43%	0%	4%	5%	55%	57%	(33%)	22%	39%	(9%)	25%	(24%)
Jack Bowles ³	3%	1%	5%	7%	(13%)	(9%)	(37%)	84%	(100%)	(9%)	26%	(21%)
Chair												
Luc Jobin ⁴	3%	28%	334%	2%	42%	59%	24%	(79%)	n/a	n/a	n/a	n/a
Non-Executive Directors												
Kandy Anand ⁵	3%	n/a	n/a	n/a	(10%)	n/a	n/a	n/a	n/a	n/a	n/a	n/a
Sue Farr	20%	18%	1%	2%	9%	931%	0%	(100%)	n/a	n/a	n/a	n/a
Karen Guerra ⁶	3%	0%	0%	n/a	(24%)	3977%	0%	n/a	n/a	n/a	n/a	n/a
Holly Keller Koeppel	2%	0%	1%	2%	(61%)	4907%	(99%)	(82%)	n/a	n/a	n/a	n/a
Murray Kessler ⁷	0%	n/a	n/a	n/a	0%	n/a	n/a	n/a	n/a	n/a	n/a	n/a
Savio Kwan ⁸	2%	0%	1%	2%	137%	987%	(97%)	(84%)	n/a	n/a	n/a	n/a
Véronique Laury ⁹	2%	n/a	n/a	n/a	100%	n/a	n/a	n/a	n/a	n/a	n/a	n/a
Dimitri Panayotopoulos	(12%)	(12%)	9%	21%	8%	262%	(78%)	(88%)	n/a	n/a	n/a	n/a
Darrell Thomas	3%	(6%)	n/a	n/a	48%	100%	n/a	n/a	n/a	n/a	n/a	n/a
Serpil Timuray ¹⁰	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a
Average UK-based employee¹¹	5%	5%	6%	3%	(23%)	2%	(1%)	1%	0%	2%	20%	(5%)

Notes:

- Benefits: The 2022 taxable benefits figures were re-stated for the following directors: Luc Jobin, Kandy Anand, Karen Guerra, Savio Kwan, Dimitri Panayotopoulos and Darrell Thomas. Consequently, the year-on-year change figures showing 2022 vs 2021 were updated. The changes in taxable benefit values for 2022 vs 2021 and 2021 vs 2020 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 184.
- Tadeu Marroco was appointed as an Executive Director from 5 August 2019, therefore the figures for 2019 were annualised to calculate the year-on-year change. Tadeu Marroco was appointed as Chief Executive from 15 May 2023.
- Jack Bowles stepped down as Executive Director from 15 May 2023, therefore the salary and benefits figures for 2023 were annualised 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.
- Kandy Anand was appointed to the Board on 14 February 2022, therefore the figures for 2022 were annualised to calculate the year-on-year change.
- Karen Guerra was appointed to the Board on 14 September 2020, therefore figures for 2020 were annualised to calculate the year-on-year change.
- Murray Kessler was appointed to the Board on 6 November 2023. Accordingly, no year-on-year change figures have been included.
- Savio Kwan stepped down from the Board from 19 April 2023, therefore the figures for 2023 were annualised to calculate the year-on-year change.
- Véronique Laury was appointed to the Board on 19 September 2022, therefore figures for 2022 were annualised to calculate the year-on-year change.
- Serpil Timuray was appointed to the Board on 4 December 2023. Accordingly, no year-on-year change figures have been included.
- The data for the UK-based employees comparator group (which excludes directors) is on a full time equivalent basis and is made up as follows as at 31 December 2023: (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.

Remuneration Report

2023 Annual Report on Remuneration

Continued

Directors' Share Interests

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

	Outstanding scheme interests 31 Dec 2023 ¹					
	Ordinary shares held at 31 Dec 2023	Unvested awards subject to performance conditions and continued employment (LTIP)	Unvested awards subject to continued employment only (DSBS and LTIP in extended vesting period)	Unvested interests (Sharesave)	Total ordinary shares subject to outstanding scheme interests	Total of all interests in ordinary shares at 31 Dec 2023
Executive Directors						
Tadeu Marroco ²	121,689	323,045	126,121	1,057	450,223	571,912
Jack Bowles ³	288,501	–	345,297	–	345,297	633,798
Chair						
Luc Jobin ⁴	90,236	–	–	–	–	90,236
Non-Executive Directors						
Kandy Anand ⁴	7,585	–	–	–	–	7,585
Sue Farr	392	–	–	–	–	392
Karen Guerra	19,250	–	–	–	–	19,250
Holly Keller Koepfel ⁵	–	–	–	–	–	–
Murray Kessler (appointed 6/11/23)	–	–	–	–	–	–
Véronique Laury	1,650	–	–	–	–	1,650
Dimitri Panayotopoulos	3,300	–	–	–	–	3,300
Darrell Thomas ³	4,600	–	–	–	–	4,600
Serpil Timuray (appointed 4/12/23)	–	–	–	–	–	–
Savio Kwan (stepped down 19/04/23) ⁶	17,320	–	–	–	–	17,320

Changes from 31 December 2023: Tadeu Marroco: purchase of six ordinary shares on 3 January 2024 under the SIP. Tadeu Marroco: delivery on 5 February 2024 of 409 ordinary shares, representing dividend equivalents due on outstanding DSBS awards and 47 ordinary shares representing reinvested dividends on UK SIP shares in respect of the quarterly dividend paid to shareholders on 1 February 2024. There were no changes in the interests of the Chair and the other Non-Executive Directors.

Notes:

- On 30 March 2023, Jack Bowles received 53,618 shares and Tadeu Marroco received 24,388 shares following the vesting of their 2020 awards under the Deferred Share Bonus Scheme.
- Tadeu Marroco: ordinary shares held include 1,887 held by the trustees of the BAT Share Incentive Plan (SIP).
- Jack Bowles: holdings are as at the date of departure on 15 May 2023. Ordinary shares held include 1,103 held by the trustees of the SIP at the date of departure. The unvested LTIP awards figure include 218,099 shares which are no longer subject to performance conditions but are still within the two-year extended vesting period.
- American Depositary Shares (ADSs): each of the interests in ordinary shares held by Luc Jobin, Kandy Anand and Darrell Thomas consists of an equivalent number of BAT ADSs, each of which represents one ordinary share in the Company.
- Holly Keller Koepfel: at the date of this report Holly Keller Koepfel, 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 Koepfel 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 Koepfel currently holds 30,721 DSUs (2022: 28,928 DSUs).
- Savio Kwan: holdings are as of the date of departure (19 April 2023).

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

	LTIP awards granted in 2022			LTIP awards granted in 2023		
	1 January 2022–31 December 2024			1 January 2023–31 December 2025		
	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	15%	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	15%	5% CAGR	10% CAGR	15%	5% CAGR	10% CAGR
Revenue growth Compound annual growth (CAGR) measured at constant rates of exchange	15%	3% CAGR	5% CAGR	15%	3% CAGR	5% CAGR
New Categories revenue growth Compound annual growth (CAGR) measured at constant rates of exchange	15%	20% CAGR	30% CAGR	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. The relative TSR peer group constituents for the LTIP awards granted in 2022 and 2023 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.

Directors and Management Board

No Directors or Management Board Members own more than 1% of the ordinary shares in issue. At 5 February 2024, the Directors and Management Board collectively held interests (or their calculated equivalents) under the Company share schemes of: 871,377 ordinary shares, 655,048 restricted share units, 1,243,416 performance share units, 23,027 options over ordinary shares and 31,320 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 2023
<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"> – 74,489 ordinary shares issued by the Company in relation to the Sharesave Scheme; – 466,337 treasury shares issued by the Company in relation to the LTI awards vesting; – a total of 820,219 Sharesave Scheme options over ordinary shares and a total of 1,589,609 LTI awards that may be settled using newly-issued or treasury shares were outstanding at 31 December 2023, representing 0.11% of the Company's issued share capital (excluding shares held in treasury); and – options outstanding under the Sharesave Scheme are exercisable until 1 June 2029 at option prices ranging from 2,076p to 2,727p.

Remuneration Report

2023 Annual Report on Remuneration Continued

The Remuneration Committee Governance

Remuneration Committee current members

Dimitri Panayotopoulos (Chair)

Kandy Anand

Sue Farr

Murray Kessler

Serpil Timuray

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.

The Committee's Terms of Reference align with the requirements of the UK Corporate Governance Code. Revised Terms of Reference were introduced from 1 September 2023 to reflect the Group's new Executive Management structure and to maintain alignment with evolving market practice.

Attendance at meetings in 2023¹

Name ^{2(a)}	Member since	Meeting attendance Attended/Eligible to attend ^{1(a)}
Dimitri Panayotopoulos ^{1(b)}	2015	5/7
Kandy Anand ^{1(c)}	2022	6/7
Sue Farr ^{1(d)}	2016	6/7
Murray Kessler ^{2(b)}	2023	1/1
Serpil Timuray ^{2(c)}	2023	1/1
Savio Kwan ^{2(d)}	2016 - 2023	2/2

Notes:

- Number of meetings in 2023: (a) the Committee held seven meetings in 2023, three of which were ad hoc. Five meetings of the Committee are scheduled for 2024; (b) Dimitri Panayotopoulos did not attend the ad hoc meeting in June 2023 and the scheduled meeting in July 2023 due to illness; (c) Kandy Anand did not attend the scheduled meeting in February 2023 due to unforeseen personal circumstances; (d) Sue Farr did not attend the ad hoc meeting in January 2023 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) Murray Kessler joined the Committee on 6 November 2023 on his appointment to the Board; (c) Serpil Timuray joined the Committee on 4 December 2023 on her appointment to the Board; (d) Savio Kwan stepped down from the Committee with effect from the conclusion of the AGM on 19 April 2023.

Other attendees: the Chair, the Chief Executive, the Chief People Officer (previously the Director, Talent, Culture & 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): PwC were appointed by the Remuneration Committee following a rigorous tender process in January 2020 as one of the Remuneration Committee's remuneration consultants. PwC provided independent advice to the Committee in 2023 and a representative of PwC attended scheduled Remuneration Committee meetings in 2023. PwC's 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 provides to the Company, such as tax, corporate finance and consulting services to Group companies worldwide excluding the U.S. Total fees for the provision of remuneration advice to the Committee in 2023 were £190,400.

Meridian Compensation Partners (Meridian): Meridian, a U.S. based advisory firm, were appointed by the Remuneration Committee following a rigorous tender process in January 2020 as one of the Remuneration Committee's remuneration consultants. Meridian provided advice to the Committee in 2023 and a representative of Meridian attended scheduled Remuneration Committee meetings in 2023. Meridian's advice included advice on remuneration matters including market trends, shareholder engagement perspectives and comparator group analysis from a 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 2023 were \$44,781.

Regular work programme 2023

The Remuneration Committee:

- reviewed the Chair's fee from 1 May 2023, taking into account market positioning, the broader external environment and the level of salary increases awarded to UK employees;
- reviewed salaries for the Executive Directors to take effect from 1 April 2023, taking into account market positioning, the external environment including stakeholder expectations and shareholder perspectives, and the level of salary increases awarded to UK employees;
- reviewed salaries for members of the Management Board and the Company Secretary from 1 April 2023, 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 2022 STI award and set the STI targets for 2023 (on an organic basis) to ensure an appropriate degree of stretch within the target ranges to drive performance in alignment with the Group's strategic objectives and shareholder interests;
- reviewed updates on performance against the 2023 STI target measures and for outstanding LTI awards;
- assessed the achievement against the performance conditions for the vesting of the 2020 LTIP award, determined the contingent level of LTI awards for March 2023 and reviewed the associated performance conditions;
- assessed the achievement against the targets for the 2022 Share Reward Scheme and set the targets for the 2023 award;
- reviewed the Annual Statement and the Annual Report on Remuneration for the year ended 31 December 2022 prior to its approval by the Board and subsequent proposal to shareholders at the Company's AGM on 19 April 2023;
- reviewed the 2023 AGM voting results relating to remuneration resolutions, market trends in the context of that annual general meeting season and corporate governance developments relating to executive remuneration and wider workforce remuneration 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 Committees review process (discussed on pages 152 to 153).

Other activities in 2023

The Remuneration Committee:

- assessed and determined the remuneration applicable to the appointment of Tadeu Marroco as Chief Executive from 15 May 2023 and to the appointment of Soraya Benchikh as Chief Financial Officer with effect from 1 May 2024, in accordance with the Directors' Remuneration Policy, with specific consideration given to relative market positioning and the wider external environment, including shareholder and other stakeholder perspectives;
- determined the remuneration payable to Jack Bowles on stepping down as Chief Executive, applying the Directors' Remuneration Policy including the exercise of discretion in respect of retention of awards under the Company's performance-based variable reward schemes;
- reviewed the terms of appointment and associated remuneration, and terms of termination of employment, in connection with Management Board roles and personnel changes during the year;
- determined the terms of appointment and associated remuneration applicable to the appointment of Caroline Ferland as Company Secretary from 1 September 2023;
- recommended to the Board that additional malus and clawback arrangements be introduced for senior executives, in alignment with U.S. SEC regulation and NYSE rules, which were subsequently approved by the Board;
- assessed various aspects of the Group's workforce remuneration strategy and alignment with Executive Directors' remuneration, corporate culture and external market positioning, with specific focus on variable pay architecture for management grade employees across the Group;
- approved changes to the methodology for calculating the share of market read for the STI volume share metric in several markets, based on the local market environment and reporting capabilities;
- approved the exclusion of the impact of the disposal of the Russian and Belarusian businesses from the 2023 results in the assessment of performance for the 2021 LTI awards against the targets set at the start of the performance period;
- reviewed the Group's pay equality data and associated reporting, including UK gender pay reporting for 2022 for applicable UK Group companies prior to publication in March 2023, and voluntary reporting on international gender pay and ethnicity pay;
- reviewed the outcomes of the Group's global living wage assessment for 2023, approach to validation of living wage data with the external organisation Fair Wage Network, and evolving stakeholder expectations in relation to reporting on living wage analysis;
- considered initiatives to enhance talent retention across the Group, including benefits and non-financial rewards, focused activities to promote the retention of women in senior management, and associated feedback from employees; and
- reviewed the Committee's Terms of Reference and recommended revisions to those Terms of Reference be introduced from 1 September 2023, which were subsequently approved by the Board.

Remuneration Report

2023 Annual Report on Remuneration

Continued

Voting on Remuneration and Engagement with Shareholders

At the AGM on 19 April 2023, shareholders considered and voted on the 2022 Directors' Remuneration Report as set out in the table below. No other resolutions in respect of Directors' remuneration or incentives were considered at the 2023 AGM. The current Remuneration Policy was approved by shareholders at the AGM on 28 April 2022 as set out below. The full Directors' Remuneration Policy is set out in the 2021 Annual Report on Remuneration. A summary of this policy is provided on page 174. Further information regarding shareholder engagement in relation to remuneration matters is set out in the Annual Statement on Remuneration on page 170 and in the discussion of Board engagement with shareholders on pages 144 and 145.

Approval of Directors' Remuneration Report ¹ and Policy ²		
	Directors' Remuneration Policy 2022 AGM	Directors' Remuneration Report 2023 AGM
Percentage for	94.85	95.18
Votes for (including discretionary)	1,663,434,518	1,585,393,499
Percentage against	5.15	4.82
Votes against	90,313,970	80,274,647
Total votes cast excluding votes withheld	1,753,748,488	1,665,668,146
Votes withheld ³	2,811,496	14,532,234
Total votes cast including votes withheld	1,756,559,984	1,680,200,380

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 07 February 2024 and signed on its behalf by:

Dimitri Panayotopoulos

Chair, Remuneration Committee

07 February 2024

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 applicable 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 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 (DTR) 4.1.16R, the financial statements will form part of the annual financial report prepared using the single electronic reporting format under DTRs 4.1.17R and 4.1.18R. The auditor's report on these financial statements provides no assurance over whether the annual financial report has been prepared in accordance with those requirements.

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:

- so far as he or she is aware, 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 ought 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

07 February 2024

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

Tadeu Marroco
Chief Executive

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