



British American Tobacco p.l.c. Annual Report and Form 20-F 2021

Report on compliance with the
UK Corporate Governance Code 2018

8 March 2022

Report on compliance with the UK Corporate Governance Code

British American Tobacco p.l.c. (the **Company**)

Introduction

The principal governance rules applying to UK companies listed on the London Stock Exchange for the financial years beginning on or after 1 January 2019 (including the Company's financial year ended 31 December 2021) are contained in the 2018 edition of the UK Corporate Governance Code (the **Code**).

The Corporate Governance Statement in the Company's 2021 Annual Report and Form 20-F (the **Corporate Governance Statement**) explains how the Code has been applied by the Company and confirms the Board's assessment that the Company has complied with the Provisions of the Code throughout 2021.

In the interests of further transparency, the Company has voluntarily prepared this report which summarises its approach by reference to each Principle and Provision of the Code. All page references contained in this report are to pages of the Company's 2021 Annual Report and Form 20-F (**2021 ARA & 20-F**) unless otherwise stated.

Listing Rules disclosure requirements

LR 9.8.6 (3)	<p>In the case of a listed company incorporated in the United Kingdom, the following additional items must be included in its annual financial report: statements by the directors on:</p> <p>(a) the appropriateness of adopting the going concern basis of accounting (containing the information set out in Provision 30 of the Governance Code); and</p> <p>(b) their assessment of the prospects of the company (containing the information set out in Provision 31 of the Governance Code);</p> <p>prepared in accordance with the 'Guidance on Risk Management, Internal Control and Related Financial and Business Reporting' published by the Financial Reporting Council in September 2014;</p>	Location of disclosure <i>pp.83, 92</i>
Disclosures:	<p>(a) This statement is disclosed in the section 'Going Concern' on p.83.</p> <p>(b) This statement is disclosed in the 'Viability Statement' box on p.92.</p>	Location of disclosure <i>p.99</i>
LR 9.8.6 (5)	A statement of how the listed company has applied the Principles set out in the Code, in a manner that would enable shareholders to evaluate how the principles have been applied.	Location of disclosure <i>p.99</i>
Disclosures:	This statement is disclosed on p.99.	Location of disclosure <i>p.99</i>
LR 9.8.6 (6) <i>Overlap DTR 7.2.2 and 7.2.3</i>	<p>A statement as to whether the listed company has:</p> <p>a) Complied throughout the accounting period with all relevant provisions set out in the Code; or</p> <p>b) Not complied throughout the accounting period with all relevant provisions set out in the Code and if so, setting out:</p> <ul style="list-style-type: none"> ▪ those provisions, if any it has not complied with, ▪ in the case of provisions whose requirements are of a continuing nature, the period within which, if any, it did not comply with some or all of those provisions, and ▪ the company's reasons for non-compliance. 	Location of disclosure <i>p.99</i>
Disclosures:	The Company complied throughout the accounting period with all relevant provisions set out in the Code. This is disclosed on p.99.	Location of disclosure <i>p.99</i>

Additional DTR disclosure requirements

DTR 7.2.5R	<p>The corporate governance statement must contain a description of the main features of the issuer's internal control and risk management systems in relation to the financial reporting process.</p> <p><i>(NB While this requirement differs from the requirement in the Code, it is envisaged that both could be met by a single internal control statement.)</i></p>	Location of disclosure <i>pp.124-127</i>
Disclosures:	The description is disclosed in the 'Risk Management and Internal Control' section on page pp.124-127.	Location of disclosure <i>pp.124-127</i>
DTR 7.2.6R	The corporate governance statement must contain the information required by paragraph 13(2)(c), (d), (f), (h) and (i) of Schedule 7 to the Large and Medium-sized Companies and Groups (Accounts and Reports) Regulations 2008 (SI 2008/410) (information about share capital required under Directive 2004/25/EC (the Takeover Directive)) where the issuer is subject to the requirements of that paragraph.	

Additional DTR disclosure requirements

	<p>Disclosures:</p> <p>13(2)(c) – major shareholders are disclosed on pp.360-361 and the name, percentage holding and type of shares held are stated;</p> <p>13(2)(d) – there are no persons holding securities with special rights with regard to control of the company;</p> <p>13(2)(f) – there are no restrictions on voting rights;</p> <p>13(2)(h)(i) – the terms of appointment and replacement of directors are disclosed on p.374;</p> <p>13(2)(h)(ii) – rules on amending the Company’s Articles of Association are disclosed in the ‘Articles of Association’ sub-section on pp.373-375.</p> <p>13(2)(i) – the powers of the Company’s Directors are disclosed in the ‘Articles of Association’ sub-section on pp.373-375.</p>	<p>Location of disclosure</p> <p><i>pp.360-361, 373-375</i></p>
<p>DTR 7.2.10R</p>	<p>An issuer which is required to prepare a group directors' report within the meaning of section 415(2) of the Companies Act 2006 must include in that report a description of the main features of the group's internal control and risk management systems in relation to the process for preparing consolidated accounts. In the event that the issuer presents its own annual report and its consolidated annual report as a single report, this information must be included in the corporate governance statement required by DTR 7.2.1R.</p> <p>Disclosures:</p> <p>The Group’s internal control/risk management systems are disclosed in the ‘Risk Management and Internal Control’ section on page pp.124-127.</p>	<p>Location of disclosure</p> <p><i>pp.124-127</i></p>

1. Board Leadership and Company Purpose

<p>Ref 1.A</p>	<p>Principle A: A successful company is led by an effective and entrepreneurial board, whose role is to promote the long-term sustainable success of the company, generating value for shareholders and contributing to wider society.</p> <p>Disclosures:</p> <p>The Board’s leadership role, governance arrangements and effectiveness are discussed in the ‘Leadership Overview’, ‘Board Activities in 2021’, ‘Division of Responsibilities’ and ‘Board Effectiveness’ sections at pp.103-105 and 111-115.</p> <p>The Chairman’s introduction to the Governance Report at p.98 further details the Board’s purpose and role in the Company’s governance. The Board’s engagement with the Company’s stakeholders is set out on pp.106-110 and in the Section 172 Statement on pp.20-21.</p> <p>The Company’s contributions to wider society are discussed in the ‘A Better Tomorrow for Consumers’, ‘A Better Tomorrow for Society and the Environment’ and ‘A Better Tomorrow for Employees’ sections at pp.34-73.</p>
<p>Ref 1.B</p>	<p>Principle B: The board should establish the company’s purpose, values and strategy, and satisfy itself that these and its culture are aligned. All directors must act with integrity, lead by example and promote the desired culture.</p> <p>Disclosures:</p> <p>The Company’s strategy is discussed on pp.24-27 and the Board’s role in driving strategy is discussed on pp.103-105. The Company’s purpose is set out on the inside cover and pp.4-5 and 27.</p> <p>The Board’s leadership role, governance arrangements and effectiveness are discussed in the ‘Chairman’s introduction on Governance’, ‘Leadership Overview’, ‘Board Activities in 2021’, ‘Division of Responsibilities’ and ‘Board Effectiveness’ sections on pp.98, 103-105 and 111-115.</p> <p>The Group’s culture is discussed on pp.69-72 and 103. The Board’s assessment of the Group’s culture is discussed on p.103.</p>

1. Board Leadership and Company Purpose

Ref 1.C Principle C: The board should ensure that the necessary resources are in place for the company to meet its objectives and measure performance against them. The board should also establish a framework of prudent and effective controls, which enable risk to be assessed and managed.

Disclosures:

The role of the Board in resource allocation, to meet objectives and to measure performance, is disclosed on pp.103-105 and 110.

The Board's control and management of Group risks are discussed in the 'Group Principal Risks' section on pp. 92-97. The Group's internal control/risk management systems are disclosed in the 'Risk management and internal control' section on pp.124-127.

Ref 1.D Principle D: In order for the company to meet its responsibilities to shareholders and stakeholders, the board should ensure effective engagement with, and encourage participation from, these parties.

Disclosures:

The Board maintains dialogue with shareholders, directed towards ensuring a mutual understanding of the Group's objectives. Primary contact, facilitated by the Head of Investor Relations, is through the Executive Directors, but the Chairman, Senior Independent Director and the Chairman of the Remuneration Committee also engage with major shareholders periodically and in advance of the Annual General Meetings in order to understand their views on the Company and to ensure that their views are communicated to the Board as a whole. See disclosures on pp.106-107 and 128-132.

Board consideration of the interests of other key stakeholders, and its role in reviewing the effectiveness of stakeholder engagement mechanisms, are discussed in the 'Engaging with our Stakeholders' section of the Strategic Report at pp.20-21 and the 'Board Activities in 2021', 'Board Engagement with Stakeholders' and 'Principal Decisions made by the Board' sections of the Governance Report at pp.104-110.

Ref 1.E Principle E: The board should ensure that workforce policies and practices are consistent with the company's values and support its long-term sustainable success. The workforce should be able to raise any matters of concern.

Disclosures:

The Group's workforce policies and practices are summarised in the Strategic Report in the 'A Better Tomorrow for Employees' section on pp.69-73. The Board's assessment of those policies and practices is set out on p.103. The Group's Speak Up procedures are described on pp.57 and 127.

Ref 1.1 Provision 1: The board should assess the basis on which the company generates and preserves value over the long-term. It should describe in the annual report how opportunities and risks to the future success of the business have been considered and addressed, the sustainability of the company's business model and how its governance contributes to the delivery of its strategy.

Disclosures:

How the Group generates and preserves value over the long-term is set out on pp.10-11, 14-15 and 26-27. The Group's Business Model is set out on pp.16-18. Control and management of Group risks are discussed in the 'Group Principal Risks' section on pp.92-97 and at pp.124-125. The Chairman explains how Group governance contributes to the delivery of its strategy on p.98 and this is further discussed on pp.103-105.

Ref 1.2 Provision 2: The board should assess and monitor culture. Where it is not satisfied that policy, practices or behaviour throughout the business are aligned with the company's purpose, values and strategy, it should seek assurance that management has taken corrective action. The annual report should explain the board's activities and any action taken. In addition, it should include an explanation of the company's approach to investing in and rewarding its workforce.

Disclosures:

The BAT Ethos is discussed on p.69. The Group's culture is discussed on pp.69-72 and 103. The Board's assessment of the Group's culture is discussed on p.103. Examples of the Board's oversight of culture are provided on p.105.

An overview of how the Group invests in its workforce is provided in the 'A Better Tomorrow for Employees' section on pp.69-73 and in the Directors' Remuneration Report at pp.163-165.

1. Board Leadership and Company Purpose

Ref 1.3 Provision 3: In addition to formal general meetings, the chair should seek regular engagement with major shareholders in order to understand their views on governance and performance against the strategy. Committee chairs should seek engagement with shareholders on significant matters related to their areas of responsibility. The chair should ensure that the board as a whole has a clear understanding of the views of shareholders.

Disclosures:

The Chairman, the Senior Independent Director and Committee Chairs engage with major shareholders as appropriate to understand their views on the Company and to ensure that their views are communicated to the Board as a whole. An overview of shareholder engagement undertaken is set out at the 'Board Engagement with Stakeholders' section of the Governance Report on pp.106-107, in the Directors' Remuneration Report on pp.128-132 and in the 'Engaging with our Stakeholders' section of the Strategic Report on pp.20-21.

Ref 1.4 Provision 4: When 20 per cent or more of votes have been cast against the board recommendation for a resolution, the company should explain, when announcing voting results, what actions it intends to take to consult shareholders in order to understand the reasons behind the result. An update on the views received from shareholders and actions taken should be published no later than six months after the shareholder meeting. The board should then provide a final summary in the annual report and, if applicable, in the explanatory notes to resolutions at the next shareholder meeting, on what impact the feedback has had on the decisions the board has taken and any actions or resolutions now proposed.

Disclosures:

All resolutions were passed at the Company's AGM held on 28 April 2021 with the requisite majority of votes. However, the Company acknowledged the vote against received in relation to the 2020 Directors' Remuneration Report and the resolution to renew the Directors' authority to allot shares. The Company: (i) provided an explanation in its AGM Voting Results announcement ([link here](#)); and (ii) a voting results update statement ([link here](#)). The Company has provided a final summary in relation to these resolutions in the Governance Report at pp.107 and 128-132.

Ref 1.5 Provision 5: The board should understand the views of the company's other key stakeholders and describe in the annual report how their interests and the matters set out in section 172(1) of the Companies Act 2006 have been considered in board discussions and decision-making. The board should keep engagement mechanisms under review so that they remain effective. For engagement with the workforce, one or a combination of the following methods should be used: a director appointed from the workforce; a formal workforce advisory panel; a designated non-executive director. If the board has not chosen one or more of these methods, it should explain what alternative arrangements are in place and why it considers that they are effective.

Disclosures:

Board consideration of the interests of other key stakeholders and the matters set out in section 172(1) of the Companies Act 2006 in Board discussions and decision-making are discussed in the 'Engaging with our Stakeholders' section of the Strategic Report on pp.20-21 and in the Governance Report on pp.106-110. The Board's review of the effectiveness of those stakeholder engagement mechanisms is set out in the Governance Report at pp.105-109.

The Group's workforce engagement mechanisms and the Board's review of the effectiveness of those mechanisms is set out in the 'A Better Tomorrow for Employees' section on pp.69-73 and in the Governance Report on p.108, with further information in relation to remuneration matters in the Directors' Remuneration Report at pp.163-165.

Ref 1.6 Provision 6: There should be a means for the workforce to raise concerns in confidence and – if they wish – anonymously. The board should routinely review this and the reports arising from its operation. It should ensure that arrangements are in place for the proportionate and independent investigation of such matters and for follow-up action.

Disclosures:

The Group's Speak Up policy and procedures enable staff, in confidence, to raise concerns about possible improprieties in financial and other matters and to do so in confidence where they wish, and without fear of reprisal. The Group's Speak Up policy and procedures are described on p.57.

Board review of these arrangements and the reports arising from the operation of the Speak Up policy and procedures are set out on pp.103, 105 and 127.

Ref 1.7 Provision 7: The board should take action to identify and manage conflicts of interest, including those resulting from significant shareholdings, and ensure that the influence of third parties does not compromise or override independent judgement

Disclosures:

The Company's approach to managing conflicts of interests is set out in the Governance Report at p.113.

1. Board Leadership and Company Purpose

Ref 1.8 Provision 8: Where directors have concerns about the operation of the board or the management of the company that cannot be resolved, their concerns should be recorded in the board minutes. On resignation, a non-executive director should provide a written statement to the chair, for circulation to the board, if they have any such concerns.

Disclosures:

If any Director has concerns about the running of the Company or a proposed action which cannot be resolved, such concerns would be recorded in the Board minutes. No such concerns arose in 2021. This is referenced in the Governance Report at p.112.

2. Division of responsibilities

Ref 2.F Principle F: The chair leads the board and is responsible for its overall effectiveness in directing the company. They should demonstrate objective judgement throughout their tenure and promote a culture of openness and debate. In addition, the chair facilitates constructive board relations and the effective contribution of all non-executive directors, and ensures that directors receive accurate, timely and clear information.

Disclosures:

The Chairman's role is described in the 'Division of Responsibilities' section at p.112, with further information in the 'Board Efficacy' sub-section on p.112, the 'Shareholder and investor engagement' sub-section on p.106 and the 'Board Effectiveness' section at p.114. The Chairman also discusses his responsibilities on p.98.

Ref 2.G Principle G: The board should include an appropriate combination of executive and non-executive (and, in particular, independent non-executive) directors, such that no one individual or small group of individuals dominates the board's decision-making. There should be a clear division of responsibilities between the leadership of the board and the executive leadership of the company's business.

Disclosures:

The Board is comprised of an appropriate combination of Executive and Non-Executive (including independent Non-Executive) Directors. The composition of the Board is disclosed at pp.100-101. The role of the independent, Non-Executive Directors is disclosed in the 'Division of Responsibilities' section on p.112.

The roles of Chairman and Chief Executive are separate, with both having distinct and clearly defined responsibilities. This is also disclosed in the 'Division of Responsibilities' section on p.112.

Ref 2.H Principle H: Non-executive directors should have sufficient time to meet their board responsibilities. They should provide constructive challenge, strategic guidance, offer specialist advice and hold management to account.

Disclosures:

The role of the Non-Executive Directors is disclosed in the 'Division of Responsibilities' section on p.112. The Board's assessment of Directors' time commitments and other significant appointments, where applicable, is set out in the Governance Report at p.113.

Ref 2.I Principle I: The board, supported by the company secretary, should ensure that it has the policies, processes, information, time and resources it needs in order to function effectively and efficiently.

Disclosures:

The Board and its Committees receive high quality, up-to-date information in good time ahead of each meeting, and the Company Secretary, under the direction of the Chairman, ensures good information flows within the Board and its Committees and between the Non-Executive Directors and senior management. The Company Secretary is also responsible for advising the Board, through the Chairman, on all governance matters.

This is disclosed in the 'Directors information and advice' and 'Board Effectiveness' sections of the Governance Report at pp.113-114.

Ref 2.9 Provision 9: The chair should be independent on appointment when assessed against the circumstances set out in Provision 10. The roles of chair and chief executive should not be exercised by the same individual. A chief executive should not become chair of the same company. If, exceptionally, this is proposed by the board, major shareholders should be consulted ahead of appointment. The board should set out its reasons to all shareholders at the time of the appointment and also publish these on the company website.

Disclosures:

The Chairman was not previously Chief Executive of the Company. The Chairman met the independence criteria on appointment as specified by the Code, disclosed at p.113.

2. Division of responsibilities

- Ref 2.10 Provision 10: The board should identify in the annual report each non-executive director it considers to be independent. Circumstances which are likely to impair, or could appear to impair, a non-executive director's independence include, but are not limited to, whether a director: is or has been an employee of the company or group within the last five years; has, or has had within the last three years, a material business relationship with the company, either directly or as a partner, shareholder, director or senior employee of a body that has such a relationship with the company; has received or receives additional remuneration from the company apart from a director's fee, participates in the company's share option or a performance-related pay scheme, or is a member of the company's pension scheme; has close family ties with any of the company's advisers, directors or senior employees; holds cross-directorships or has significant links with other directors through involvement in other companies or bodies; represents a significant shareholder; or has served on the board for more than nine years from the date of their first appointment.
- Where any of these or other relevant circumstances apply, and the board nonetheless considers that the non-executive director is independent, a clear explanation should be provided.
- Disclosures:
- The Board considers that all of the Non-Executive Directors are independent, in that they are free from any business or other relationships which could materially interfere with or appear to affect the exercise of their judgement. The independence of all Non-Executive Directors is disclosed in the 'Independence' section of the Governance Report at p.113.
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- Ref 2.11 Provision 11: At least half the board, excluding the chair, should be non-executive directors whom the board considers to be independent.
- Disclosures:
- At the date of the 2021 ARA & 20-F, the Board comprised the Chairman, two Executive Directors and seven independent Non-Executive Directors. Further information about each Director is disclosed at pp.100-101. The Company has since announced that Kandy Anand was appointed as an independent Non-Executive Director with effect from 14 February 2022, and that Marion Helmes will step down from the Board with effect from the conclusion of the Annual General Meeting on 28 April 2022 ([link here](#)).
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- Ref 2.12 Provision 12: The board should appoint one of the independent non-executive directors to be the senior independent director to provide a sounding board for the chair and serve as an intermediary for the other directors and shareholders. Led by the senior independent director, the non-executive directors should meet without the chair present at least annually to appraise the chair's performance, and on other occasions as necessary
- Disclosures:
- Dimitri Panayotopoulos is the Senior Independent Director (SID), as disclosed on p.101. The principal responsibilities of this role are disclosed on p.112.
- The SID receives a report on the Chairman's performance, reflecting input from all Non-Executive Directors as part of the annual Board evaluation. This is disclosed in the 'Board Effectiveness' section of the Governance Report on p.114. As noted at p.112, the Non-Executive Directors meet annually, led by the SID and without the Chairman present, in order to discuss the Chairman's performance.
- The Non-Executive Directors, led by the SID and without the Chairman present, also meet on other occasions as necessary.
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- Ref 2.13 Provision 13: Non-executive directors have a prime role in appointing and removing executive directors. Non-executive directors should scrutinise and hold to account the performance of management and individual executive directors against agreed performance objectives. The chair should hold meetings with the non-executive directors without the executive directors present.
- Disclosures:
- The role of the Non-Executive Directors is disclosed in the 'Division of Responsibilities' section on p.112. As required throughout the year, the Non-Executive Directors, led by the Chairman, meet prior to or following meetings of the Board without the Executive Directors present. This is also disclosed on p.112.
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- Ref 2.14 Provision 14: The responsibilities of the chair, chief executive, senior independent director, board and committees should be clear, set out in writing, agreed by the board and made publicly available. The annual report should set out the number of meetings of the board and its committees, and the individual attendance by directors.
- DTR overlap 7.1.5R and 7.2.7R* Disclosures:
- The roles and responsibilities of the Board, the Chairman, Chief Executive and Senior Independent Director are set out in the Governance Report on pp.111-112 and are available on www.bat.com/governance. The role and responsibilities of each of the Board's three principal Committees are disclosed in the individual Committee reports in the Governance Report at pp.116, 120-121 and 149-151. An overview of each of the Board's three principal Committees and their terms of reference is also available at www.bat.com/governance.
- The number of Board meetings and individual attendance by Directors is set out on p.101. The Chairs and members of the Board Committees, number of Board Committee meetings during the year and Director attendance are disclosed in membership boxes in the individual Committee reports in the Governance Report at pp.116, 120 and 149.
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2. Division of responsibilities

- Ref 2.15 **Provision 15: When making new appointments, the board should take into account other demands on directors' time. Prior to appointment, significant commitments should be disclosed with an indication of the time involved. Additional external appointments should not be undertaken without prior approval of the board, with the reasons for permitting significant appointments explained in the annual report. Full-time executive directors should not take on more than one non-executive directorship in a FTSE 100 company or other significant appointment.**
Disclosures:
The Nominations Committee has responsibility for assessing the time needed to fulfil the roles of Chairman, SID and as a Non-Executive Director, and ensuring that Non-Executive Directors have sufficient time to fulfil their duties prior to annual appointment. The Board's assessment of Directors' time commitments and other significant appointments, where applicable, is set out in the Governance Report at p.113.
Executive Directors are limited to one external appointment. Currently, none of the Executive Directors have any external appointments, as noted on p.100.
- Ref 2.16 **Provision 16: All directors should have access to the advice of the company secretary, who is responsible for advising the board on all governance matters. Both the appointment and removal of the company secretary should be a matter for the whole board.**
Disclosures:
All Directors have access to the advice and services of the Company Secretary. The appointment and removal of the Company Secretary is a matter for the Board. These matters are disclosed in the Governance Report at p.113.
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3. Composition, Succession and Evaluation

- Ref 3.J **Principle J: Appointments to the board should be subject to a formal, rigorous and transparent procedure, and an effective succession plan should be maintained for board and senior management. Both appointments and succession plans should be based on merit and objective criteria and, within this context, should promote diversity of gender, social and ethnic backgrounds, cognitive and personal strengths.**
Disclosures:
The Nominations Committee is responsible for ensuring that the procedure for appointing new Directors is rigorous and transparent and that appointments are made on merit and against objective criteria and with due regard for the benefit of diversity, in accordance with the Board Diversity Policy. It is also responsible for reviewing the structure, size and composition of the Main Board and Management Board to ensure that both boards have an appropriate balance of skills, expertise, knowledge and (in the case of the Main Board) independence, and for reviewing the succession plans for the Executive Directors and members of the Management Board.
This information is disclosed in the Nominations Committee Report at pp.116-119.
- Ref 3.K **Principle K: The board and its committees should have a combination of skills, experience and knowledge. Consideration should be given to the length of service of the board as a whole and membership regularly refreshed.**
Disclosures:
Biographical and related information about the Directors, including details of relevant skills and experience, is given in the 'Board of Directors' section on pp.100-101.
The Nominations Committee is responsible for succession planning for the Board. The Board's approach to succession planning is set out in the Nominations Committee Report at pp. 116-117, Board retirements during 2021 are set out on p.117 and the length of tenure of the Directors is set out in the chart on p.117.
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3. Composition, Succession and Evaluation

Ref 3.L	<p>Principle L: Annual evaluation of the board should consider its composition, diversity and how effectively members work together to achieve objectives. Individual evaluation should demonstrate whether each director continues to contribute effectively.</p> <p>Disclosures:</p> <p>The Board conducts a critical evaluation of its activities and those of its principal Committees on an annual basis. For 2021, an internal evaluation of the Board, its three principal Committees and each of the Directors was conducted. As part of the evaluation, the composition of the Board, its diversity and how effectively members work together to achieve objectives was considered.</p> <p>The Chairman received reports on the performance and effectiveness of each of the Non-Executive and Executive Directors. A report on the Chairman's own performance and effectiveness was prepared for the Senior Independent Director. This is discussed in the 'Board Effectiveness' section of the Governance Report on pp.114-115.</p>
Ref 3.17	<p>Provision 17: The board should establish a nomination committee to lead the process for appointments, ensure plans are in place for orderly succession to both the board and senior management positions, and oversee the development of a diverse pipeline for succession. A majority of members of the committee should be independent non-executive directors. The chair of the board should not chair the committee when it is dealing with the appointment of their successor.</p> <p>Disclosures:</p> <p>The Nominations Committee is responsible for succession planning for the Board, and for the Management Board and the Company Secretary (comprising the Company's 'senior management' for the purposes of the Code), and for making recommendations on suitable candidates for appointment to the Board, Management Board and to the role of Company Secretary, as disclosed in the Nominations Committee Report at p.116.</p> <p>The Board's approach to succession planning and appointments, and the Nominations Committee's responsibilities for overseeing the development of a diverse pipeline for succession, is set out in the Nominations Committee Report at pp.116-119.</p> <p>The membership of the Nominations Committee comprises the Chairman and all of the Non-Executive Directors. The Nominations Committee is chaired by the Chairman of the Board, except when dealing with the appointment of his successor. This information is disclosed in the Nominations Committee Report at p.116. The Company has since announced that Kandy Anand was appointed to the Nominations Committee on his appointment as a Non-Executive Director with effect from 14 February 2022, and that Marion Helmes will step down from the Board with effect from the conclusion of the Annual General Meeting on 28 April 2022 (link here).</p>
Ref. 3.18	<p>Provision 18: All directors should be subject to annual re-election. The board should set out in the papers accompanying the resolutions to elect each director the specific reasons why their contribution is, and continues to be, important to the company's long-term sustainable success.</p> <p>Disclosures:</p> <p>All Directors are subject to annual re-election. This is disclosed in the Nominations Committee Report at p.117.</p> <p>The Chairman's letter accompanying the Notice for the Company's 2022 Annual General Meeting confirms that the Directors being proposed for re-election or election for the first time (as applicable) continue to be effective and that Directors continue to demonstrate commitment to their roles. Specific reasons why each Director's contribution is, and continues to be, important to the Company's long-term sustainable success are set out at pp.100-101 of the Governance Report and in the Notice for the Company's 2022 Annual General Meeting.</p>
Ref 3.19:	<p>Provision 19: The chair should not remain in post beyond nine years from the date of their first appointment to the board. To facilitate effective succession planning and the development of a diverse board, this period can be extended for a limited time, particularly in those cases where the chair was an existing non-executive director on appointment. A clear explanation should be provided.</p> <p>Disclosures:</p> <p>Luc Jobin was appointed as Chairman of the Board in April 2021, having originally been appointed to the Board as a Non-Executive Director in July 2017, as noted on p.100.</p>
Ref 3.20	<p>Provision 20: Open advertising and/or an external search consultancy should generally be used for the appointment of the chair and non-executive directors. If an external search consultancy is engaged it should be identified in the annual report alongside a statement about any other connection it has with the company or individual directors.</p> <p>Disclosures:</p> <p>External search consultancies are generally used to support Chair and Non-Executive Director appointments. In 2021, an external search consultancy was appointed to support the Nominations Committee with future Non-Executive Director search activities. This external executive search consultancy has no connections with the Company or its Directors other than in respect of provision of executive search services. This information is disclosed in the Nominations Committee Report at p.117.</p>

3. Composition, Succession and Evaluation

Ref 3.21	<p>Provision 21: There should be a formal and rigorous annual evaluation of the performance of the board, its committees, the chair and individual directors. The chair should consider having a regular externally facilitated board evaluation. In FTSE 350 companies this should happen at least every three years. The external evaluator should be identified in the annual report and a statement made about any other connection it has with the company or individual directors.</p> <p>Disclosures:</p> <p>The Board conducts a robust evaluation of its activities and those of its Committees on an annual basis. An externally-facilitated evaluation is conducted every three years. Internal evaluations, led by the Chairman and conducted by the Company Secretary, are conducted for other years.</p> <p>For 2021, the performance and effectiveness of the Board, its three principal Committees and each of the Directors was evaluated internally. The evaluation process and outcomes are disclosed in the Governance Report at pp.114-115.</p>
Ref 3.22	<p>Provision 22: The chair should act on the results of the evaluation by recognising the strengths and addressing any weaknesses of the board. Each director should engage with the process and take appropriate action when development needs have been identified.</p> <p>Disclosures:</p> <p>Following each evaluation, the Chairman receives reports on the performance of each of the Non-Executive and Executive Directors. A report on the Chairman's own performance is prepared for the Senior Independent Director. The evaluation process, outcomes and actions are disclosed in the Governance Report at pp.114-115.</p>
Ref 3.23 <i>DTR overlap 7.2.7R and 7.2.8A</i>	<p>Provision 23: The annual report should describe the work of the nomination committee, including: the process used in relation to appointments, its approach to succession planning and how both support developing a diverse pipeline; how the board evaluation has been conducted, the nature and extent of an external evaluator's contact with the board and individual directors, the outcomes and actions taken, and how it has or will influence board composition; the policy on diversity and inclusion, its objectives and linkage to company strategy, how it has been implemented and progress on achieving the objectives; and the gender balance of those in the senior management and their direct reports.</p> <p>Disclosures:</p> <p>The work of the Nominations Committee and its key activities in 2021 are disclosed in the Nominations Committee Report at pp.116-119. The process for appointments, the Board's approach to succession planning and how these support developing a diverse pipeline are set out in the Nominations Committee Report at pp.116-119. The Board evaluation process and outcomes are disclosed in the Governance Report at pp.114-115.</p> <p>The Board's policy on diversity and inclusion, its objectives and linkage to company strategy, how it has been implemented and progress on achieving the objectives are set out in the Nominations Committee Report at pp.117-119, along with the gender balance of those in the senior management and their direct reports.</p>

4. Audit, Risk and Internal Control

Ref 4.M	<p>Principle M: The board should establish formal and transparent policies and procedures to ensure the independence and effectiveness of internal and external audit functions and satisfy itself on the integrity of financial and narrative statements.</p> <p>Disclosures:</p> <p>The Board's obligations to establish formal and transparent arrangements for considering how it should apply the corporate reporting and risk management and internal control principles, and for maintaining an appropriate relationship with the Company's external auditors, KPMG LLP, is carried out through the Audit Committee. This is disclosed in the Audit Committee Report at pp.120-127.</p>
Ref 4.N	<p>Principle N: The board should present a fair, balanced and understandable assessment of the company's position and prospects.</p> <p>Disclosures:</p> <p>The Board is satisfied that it meets its obligations to present a fair, balanced and understandable assessment of the Company's position and prospects. This is confirmed at p.166.</p>

4. Audit, Risk and Internal Control

Ref 4.0	<p>Principle O: The board should establish procedures to manage risk, oversee the internal control framework, and determine the nature and extent of the principal risks the company is willing to take in order to achieve its long-term strategic objectives.</p> <p>Disclosures:</p> <p>The Company maintains its system of risk management and internal control with a view to safeguarding shareholders' investment and the Company's assets. The Audit Committee Report at pp.124-127 identifies the main features of the risk management processes and system of internal control operated within the Group. These do not cover the Group's associate undertakings.</p>
Ref 4.24 <i>DTR overlap</i> 7.1.1R	<p>Provision 24: The board should establish an audit committee of independent non-executive directors, with a minimum membership of three, or in the case of smaller companies, two. The chair of the board should not be a member. The board should satisfy itself that at least one member has recent and relevant financial experience. The committee as a whole shall have competence relevant to the sector in which the company operates.</p> <p>Disclosures:</p> <p>At the date of the 2021 ARA & 20-F, the Audit Committee comprised three independent Non-Executive Directors, as disclosed in the Audit Committee Report on p.120. Holly Keller Koepfel, Karen Guerra and Darrell Thomas have recent and relevant financial experience in accordance with the Code, as disclosed on p.120. The Audit Committee as a whole has competence relevant to the sector in which the Group operates, as disclosed on p.120.</p>
Ref 4.25 <i>DTR overlap</i> 7.1.3R - 7.1.2A	<p>Provision 25: The main roles and responsibilities of the audit committee should include: monitoring the integrity of the financial statements of the company and any formal announcements relating to the company's financial performance, and reviewing significant financial reporting judgements contained in them; providing advice (where requested by the board) on whether the annual report and accounts, taken as a whole, is fair, balanced and understandable, and provides the information necessary for shareholders to assess the company's position and performance, business model and strategy; reviewing the company's internal financial controls and internal control and risk management systems, unless expressly addressed by a separate board risk committee composed of independent non-executive directors, or by the board itself; monitoring and reviewing the effectiveness of the company's internal audit function or, where there is not one, considering annually whether there is a need for one and making a recommendation to the board; conducting the tender process and making recommendations to the board, about the appointment, reappointment and removal of the external auditor, and approving the remuneration and terms of engagement of the external auditor; reviewing and monitoring the external auditor's independence and objectivity; reviewing the effectiveness of the external audit process, taking into consideration relevant UK professional and regulatory requirements; developing and implementing policy on the engagement of the external auditor to supply non-audit services, ensuring there is prior approval of non-audit services, considering the impact this may have on independence, taking into account the relevant regulations and ethical guidance in this regard, and reporting to the board on any improvement or action required; and reporting to the board on how it has discharged its responsibilities.</p> <p>Disclosures:</p> <p>The Audit Committee's roles and responsibilities include all of the above requirements. The Audit Committee's terms of reference are summarised in the Audit Committee Report on p.121 and are available in full at www.bat.com/governance.</p>
Ref 4. 26 <i>DTR overlap</i> 7.1.5R and 7.2.7R	<p>Provision 26: The annual report should describe the work of the audit committee, including: the significant issues that the audit committee considered relating to the financial statements, and how these issues were addressed; an explanation of how it has assessed the independence and effectiveness of the external audit process and the approach taken to the appointment or reappointment of the external auditor, information on the length of tenure of the current audit firm, when a tender was last conducted and advance notice of any retendering plans; in the case of a board not accepting the audit committee's recommendation on the external auditor appointment, reappointment or removal, a statement from the audit committee explaining its recommendation and the reasons why the board has taken a different position (this should also be supplied in any papers recommending appointment or reappointment); where there is no internal audit function, an explanation for the absence, how internal assurance is achieved, and how this affects the work of external audit; and an explanation of how auditor independence and objectivity are safeguarded, if the external auditor provides non-audit services.</p> <p>Disclosures:</p> <p>The work of the Audit Committee is described in the Audit Committee Report at pp.120-127. Significant accounting judgements considered by the Committee in relation to the FY2021 accounts are disclosed in the Audit Committee Report at pp.121-123.</p> <p>The Audit Committee assesses annually the qualification, expertise, resources and independence of the Group's external auditors and the effectiveness of the audit process, taking due consideration of the FRC Guidance for Audit Committees on the evaluation of external auditor quality, including culture, skills, character, knowledge, quality control and judgement. This information is disclosed in the 'External Auditor Effectiveness' section of the Audit Committee Report at p.124. The appointment date of KPMG LLP is disclosed in the Audit Committee Report at p.123. No tender process for the appointment of the Group's external auditors was conducted in 2021.</p>

4. Audit, Risk and Internal Control

The Audit Committee has an established Auditor Independence Policy to safeguard the independence and objectivity of the Group's external auditors. Details of the policy are disclosed in the 'Group Auditor Independence Policy' section of the Audit Committee Report at p.123.

Ref 4.27 Provision 27: The directors should explain in the annual report their responsibility for preparing the annual report and accounts, and state that they consider the annual report and accounts, taken as a whole, is fair, balanced and understandable, and provides the information necessary for shareholders to assess the company's position, performance, business model and strategy.

Disclosures:

A summary of the Directors' responsibilities for the financial statements and their statement concerning relevant audit information is disclosed in the Governance Report at p.166. The report of the independent auditors, which states their reporting responsibilities, is disclosed in the Financial Statements.

Ref 4.28 Provision 28: The board should carry out a robust assessment of the company's emerging and principal risks. The board should confirm in the annual report that it has completed this assessment, including a description of its principal risks, what procedures are in place to identify emerging risks, and an explanation of how these are being managed or mitigated.

(Partial DTR overlap 7.2.5R)

Disclosures:

The Directors have carried out a robust assessment of the principal risks and uncertainties facing the Group, including those that would threaten its business model, future performance, solvency or liquidity, and emerging risks to the Group. The Group Principal Risks and the activities being undertaken to mitigate them are set out in the Strategic Report on pp. 92-97.

Ref 4.29 Provision 29: The board should monitor the company's risk management and internal control systems and, at least annually, carry out a review of their effectiveness and report on that review in the annual report. The monitoring and review should cover all material controls, including financial, operational and compliance controls.

Disclosures:

The Group's risk management processes and system of internal control, as disclosed in the Audit Committee Report at pp.124-127, and the reports that these give rise to, enable the Board and the Audit Committee to monitor the risk management and internal control framework on a continuing basis throughout the year and to review its effectiveness at year end.

The Board, with advice from the Audit Committee, has completed its annual review of the effectiveness of the system of risk management and internal control for the reporting period from 1 January 2021. The Board is satisfied that the system of risk and internal control management accords with the UK Corporate Governance Code 2018 and satisfies the requirements for internal controls over financial reporting. This information is disclosed in the Audit Committee Report at p.125.

Ref 4.30 Provision 30: In annual and half-yearly financial statements, the board should state whether it considers it appropriate to adopt the going concern basis of accounting in preparing them, and identify any material uncertainties to the company's ability to continue to do so over a period of at least twelve months from the date of approval of the financial statements.

Overlap LR9.8.6(3)(a)

Disclosures:

The Directors' statement that it is appropriate to continue to adopt the going concern basis in preparing the accounts is disclosed in the Strategic Report on p.83.

Ref 4.31 Provision 31: Taking account of the company's current position and principal risks, the board should explain in the annual report how it has assessed the prospects of the company, over what period it has done so and why it considers that period to be appropriate. The board should state whether it has a reasonable expectation that the company will be able to continue in operation and meet its liabilities as they fall due over the period of their assessment, drawing attention to any qualifications or assumptions as necessary.

Overlap LR9.8.6(3)(b)

Disclosures:

The Board has assessed the viability of the Group taking into account the current position and principal risks, in accordance with provision 31 of the Code, as disclosed in the Viability Statement in the Strategic Report on p.92. The Viability Statement includes an explanation of how the Board has assessed the prospects of the Group, over what period they have done so and why they consider that period to be appropriate.

5. Remuneration

Ref 5.P	<p>Principle P: Remuneration policies and practices should be designed to support strategy and promote long-term sustainable success. Executive remuneration should be aligned to company purpose and values, and be clearly linked to the successful delivery of the company's long-term strategy.</p> <p>Disclosures:</p> <p>The Directors' Remuneration Report set out in the 2021 ARA & 20-F is prepared in accordance with the relevant provisions of the Companies Act 2006 and the Large and Medium-sized Companies and Groups (Accounts and Reports) Regulations 2008 (as amended), and the relevant requirements of the Listing Rules of the Financial Conduct Authority.</p> <p>The Company's revised Directors' Remuneration Policy which is to be put to shareholders for approval at the 2022 AGM and wider remuneration policies and practices are designed to support the Group's strategy and to promote long-term sustainable success. Remuneration for Executive Directors is aligned to the Group's purpose and values and is linked to successful delivery of the Group's long-term strategy.</p> <p>This is explained in detail in the Annual Statement of the Remuneration Committee Chairman in the Directors' Remuneration Report at pp.128-132 and in the proposed new Remuneration Policy, in particular at p.152.</p>
Ref 5.Q	<p>Principle Q: A formal and transparent procedure for developing policy on executive remuneration and determining director and senior management remuneration should be established. No director should be involved in deciding their own remuneration outcome.</p> <p>Disclosures:</p> <p>The Remuneration Committee is responsible for agreeing and proposing the Directors' Remuneration Policy (covering salary, benefits, performance-based variable rewards and pensions) for shareholder approval. A summary of the current remuneration policy is set out at pp. 133-134 and the full proposed new policy and the principles underlying its design are set out on pp.152-165.</p> <p>The Remuneration Committee has responsibility for determining, within the terms of the approved Directors' Remuneration Policy, the specific remuneration packages for the Chairman, the Executive Directors, the members of the Management Board and the Company Secretary, both on appointment and on review.</p> <p>None of the Chairman, the Executive Directors, members of the Management Board and the Company Secretary play any part in determining their own remuneration. During the year ended 31 December 2021, both the Chief Executive and the Chairman were consulted and invited to attend meetings of the Remuneration Committee, except when their own remuneration was under consideration. In determining remuneration for the year, the Remuneration Committee consulted the Chief Executive, the Director, Talent, Culture & Inclusion, and the Group Head of Reward. The Committee's remuneration consultants during the year, PwC LLP and Meridian Compensation Partners, also attended meetings of the Remuneration Committee.</p> <p>Major shareholders have been consulted on the proposed changes to the Directors' Remuneration Policy as detailed on pp.128-132 and the revised Directors' Remuneration Policy will be put to shareholders for approval at the Annual General Meeting in April 2022.</p> <p>Further information is disclosed in the Directors' Remuneration Report at pp.149-151.</p>
Ref 5.R	<p>Principle R: Directors should exercise independent judgement and discretion when authorising remuneration outcomes, taking account of company and individual performance, and wider circumstances.</p> <p>Disclosures:</p> <p>The Remuneration Committee members exercise independent judgement and discretion when authorising remuneration outcomes.</p> <p>The Directors' Remuneration Policy, and remuneration schemes in which the Executive Directors and Management Board participate, enable the use of discretion to override formulaic outcomes. This is explained in the Directors' Remuneration Report and the proposed Directors' Remuneration Policy at pp.134 and 155-156. Wherever the Remuneration Committee exercises its discretion in relation to an Executive Director, it will disclose the rationale for doing so in the Directors' Remuneration Report. No discretion was exercised to override formulaic outcomes in 2021, which is disclosed on pp.137 and 138.</p>

5. Remuneration

Ref 5.32 <i>Overlap DTR 7.2.7</i>	<p>Provision 32: The board should establish a remuneration committee of independent non-executive directors, with a minimum membership of three, or in the case of smaller companies, two. In addition, the chair of the board can only be a member if they were independent on appointment and cannot chair the committee. Before appointment as chair of the remuneration committee, the appointee should have served on a remuneration committee for at least 12 months.</p> <p>Disclosures:</p> <p>The Remuneration Committee consists of Non-Executive Directors only. The Chairman is not a member of the Remuneration Committee.</p> <p>At the date of the 2021 ARA & 20-F, the Remuneration Committee comprised four independent Non-Executive Directors, as disclosed in the Directors' Remuneration Report on p.149. The Company has since announced that Kandy Anand was appointed to the Remuneration Committee on his appointment as a Non-Executive Director with effect from 14 February 2022, and that Marion Helmes will step down from the Board with effect from the conclusion of the Annual General Meeting on 28 April 2022 (link here).</p> <p>The current Remuneration Committee Chairman was appointed as such in October 2016. The Remuneration Committee's terms of reference require that, before appointment as chair of the Remuneration Committee, the appointee should have served on a remuneration committee for at least 12 months. The Remuneration Committee's terms of reference are available in full at www.bat.com/governance.</p>
Ref 5.33	<p>Provision 33: The remuneration committee should have delegated responsibility for determining the policy for executive director remuneration and setting remuneration for the chair, executive directors and senior management. It should review workforce remuneration and related policies and the alignment of incentives and rewards with culture, taking these into account when setting the policy for executive director remuneration.</p> <p>Disclosures:</p> <p>The Remuneration Committee's roles and responsibilities include all of the above requirements, as set out on p.149. Further information in relation to the process for reviewing remuneration and workforce engagement is set out on pp.162-165. The Remuneration Committee's terms of reference are available in full at www.bat.com/governance.</p>
Ref 5.34	<p>Provision 34: The remuneration of non-executive directors should be determined in accordance with the Articles of Association or, alternatively, by the board. Levels of remuneration for the chair and all non-executive directors should reflect the time commitment and responsibilities of the role. Remuneration for all non-executive directors should not include share options or other performance-related elements.</p> <p>Disclosures:</p> <p>The remuneration of Non-Executive Directors is determined by the Board.</p> <p>The remuneration of the Non-Executive Directors and the Chairman, and the key elements of that remuneration, are disclosed in the table 'Chairman and Non-Executive Directors' remuneration for the year ended 31 December 2021 – audited' in the Directors' Remuneration Report at p.144. Non-Executive Directors do not participate in the Group's variable remuneration arrangements.</p>
Ref 5.35	<p>Provision 35: Where a remuneration consultant is appointed, this should be the responsibility of the remuneration committee. The consultant should be identified in the annual report alongside a statement about any other connection it has with the company or individual directors. Independent judgement should be exercised when evaluating the advice of external third parties and when receiving views from executive directors and senior management.</p> <p>Disclosures:</p> <p>Appointment of remuneration consultants is the responsibility of the Remuneration Committee. Independent judgement is exercised by the Remuneration Committee when evaluating the advice of external consultants and when receiving views from Executive Directors and senior management.</p> <p>Applicable disclosures in relation to the remuneration consultants engaged by the Remuneration Committee in 2021 are set out at pp.149-150 of the Directors' Remuneration Report.</p>
Ref 5.36	<p>Provision 36: Remuneration schemes should promote long-term shareholdings by executive directors that support alignment with long-term shareholder interests. Share awards granted for this purpose should be released for sale on a phased basis and be subject to a total vesting and holding period of five years or more. The remuneration committee should develop a formal policy for post-employment shareholding requirements encompassing both unvested and vested shares.</p> <p>Disclosures:</p> <p>Executive Directors' remuneration packages comprise core fixed elements (base salary, pension and other benefits) designed to recognise the skills and experience of the Executive Directors and to ensure current and future market competitiveness in attracting talent.</p> <p>Two performance-based variable elements (a single annual bonus plan (IEIS) comprising a cash incentive and deferred share element, and a single long term incentive scheme (LTIP)) are designed to motivate and reward the delivery of growth to shareholders on a long-term sustainable basis. Awards are granted on an annual basis with a fixed vesting period.</p>

5. Remuneration

Vesting and holding periods applicable to share awards granted to Executive Directors' comply with Provision 36. The performance-based elements of Executive Directors' remuneration packages form an approximate range of 80-90% of the total potential remuneration packages.

Detailed information on Executive Directors' remuneration packages, including vesting and holding periods applicable to share awards, is set out in the revised Directors' Remuneration Policy at pp.152-157.

The Remuneration Committee maintains a formal policy for Executive Directors' post-employment shareholding requirements encompassing both unvested and vested shares. This policy is disclosed in the Directors' Remuneration Policy at pp.157 and compliance with the requirements is disclosed on p.146.

Ref 5.37 Provision 37: Remuneration schemes and policies should enable the use of discretion to override formulaic outcomes. They should also include provisions that would enable the company to recover and/or withhold sums or share awards and specify the circumstances in which it would be appropriate to do so.

Disclosures:

The Directors' Remuneration Policy and remuneration schemes in which the Executive Directors and Management Board participate enable the use of discretion to override formulaic outcomes. This is explained in the proposed Directors' Remuneration Policy at pp.155-156. Wherever the Remuneration Committee exercises its discretion in relation to an Executive Director, it will disclose the rationale for doing so in the Directors' Remuneration Report. No discretion was exercised to override formulaic outcomes in 2021, which is disclosed on pp.137 and 138.

Arrangements in respect of clawback and malus under the Directors' Remuneration Policy and applicable remuneration schemes are set out in the proposed Directors' Remuneration Policy at p.157.

Ref 5.38 Provision 38: Only basic salary should be pensionable. The pension contribution rates for executive directors, or payments in lieu, should be aligned with those available to the workforce. The pension consequences and associated costs of basic salary increases and any other changes in pensionable remuneration, or contribution rates, particularly for directors close to retirement, should be carefully considered when compared with workforce arrangements.

Disclosures:

Executive Directors' pension arrangements comply with these requirements, as disclosed in the proposed Directors' Remuneration Policy at p.154, and at p.139 of the Directors' Remuneration Report. Details of workforce pension arrangements are set out in the proposed Directors' Remuneration Report at p.163.

Ref 5.39 Provision 39: Notice or contract periods should be one year or less. If it is necessary to offer longer periods to new directors recruited from outside the company, such periods should reduce to one year or less after the initial period. The remuneration committee should ensure compensation commitments in directors' terms of appointment do not reward poor performance. They should be robust in reducing compensation to reflect departing directors' obligations to mitigate loss.

Disclosures:

The Executive Directors have rolling one-year contracts. The Non-Executive Directors do not have service contracts with the Company but instead have letters of appointment for one year. 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 proposed Directors' Remuneration Policy at pp.160-162.

Detailed information on the components of Executive Directors' performance-related remuneration is set out in the proposed Remuneration Policy on pp.155-156 and 157, including provisions on clawback and malus.

Ref 5.40 Provision 40: When determining executive director remuneration policy and practices, the remuneration committee should address the following: clarity – remuneration arrangements should be transparent and promote effective engagement with shareholders and the workforce; simplicity – remuneration structures should avoid complexity and their rationale and operation should be easy to understand; risk – remuneration arrangements should ensure reputational and other risks from excessive rewards, and behavioural risks that can arise from target-based incentive plans, are identified and mitigated; predictability – the range of possible values of rewards to individual directors and any other limits or discretions should be identified and explained at the time of approving the policy; proportionality – the link between individual awards, the delivery of strategy and the long-term performance of the company should be clear. Outcomes should not reward poor performance; and alignment to culture – incentive schemes should drive behaviours consistent with company purpose, values and strategy.

Disclosures:

A statement as to how the Remuneration Committee complies with the requirements of Code Provision 40 is set out at p.152.

5. Remuneration

- Ref 5.41 **Provision 41: There should be a description of the work of the remuneration committee in the annual report, including: an explanation of the strategic rationale for executive directors' remuneration policies, structures and any performance metrics; reasons why the remuneration is appropriate using internal and external measures, including pay ratios and pay gaps; a description, with examples, of how the remuneration committee has addressed the factors in Provision 40; whether the remuneration policy operated as intended in terms of company performance and quantum, and, if not, what changes are necessary; what engagement has taken place with shareholders and the impact this has had on remuneration policy and outcomes; what engagement with the workforce has taken place to explain how executive remuneration aligns with wider company pay policy; and to what extent discretion has been applied to remuneration outcomes and the reasons why.**
- The Directors' Remuneration Report sets out disclosures in relation to the work of the remuneration committee at pp.149-151. Full details of the structure and rationale for the proposed Directors' Remuneration Policy are set out on pp.152-162 and in the Chairman's Annual Statement on pp.128-132. Details of workforce engagement are set out on p.165 and details of shareholder engagement are set out in the Annual Statement of the Remuneration Committee Chairman on pp.128-132.**
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