



**A BETTER
TOMORROW™**

**GENDER PAY
REPORT
2019**

BAT
A BETTER TOMORROW

CEO INTRODUCTION

At BAT, diversity has long been one of the core values that form the foundation of our culture and guide how we deliver our strategy.

I'm humbled on a regular basis by the different people I get to interact with – from so many diverse backgrounds and cultures. I truly believe that having a supportive, engaging and inclusive culture that treats everyone equally, while embracing our differences, is fundamental to the continued success of our business. That's why I'm so personally committed to investing in and developing our people, to making sure we have a supportive and inclusive culture, and to ensuring equality for all.

We have a long-established, transparent and clearly defined global grading and compensation structure to ensure men and women are paid equally for equivalent jobs, and our short- and long-term incentive arrangements are designed to ensure complete alignment in terms of eligibility and earning potential between men and women. However, we do have a gender pay gap as defined by the UK regulations, which is largely a reflection of BAT, like many other companies, having more men than women in senior roles.

We are strongly committed to addressing this imbalance, which is fundamental to our Group-wide Diversity and Inclusion Strategy, which you can read about in detail in this report.

We've made great strides in increasing the proportion of women across all management levels globally. In 2019, I was especially pleased to welcome two women Directors to lead our Information & Digital Technology and Culture & Talent functions, having had an all-male Management Board for many years.

We have female representation on all of the functional and regional leadership teams that exist across the Group, as well as women leading some of our most strategically important business areas such as Global Business Services, New Categories and Corporate Ventures. All this has had a positive impact on our UK pay gap data with an increase in the proportion of women in our upper pay quartile in 2019 – from 24% to 27% – as well as contributing towards reducing our median pay gap from 35% to 33%.

We're also encouraged by the notable external recognition we've received, including being named as a diversity leader by the *Financial Times* in its inaugural Diversity Leaders report and as a best practice winner for our International Women's Day campaigns for two consecutive years.

Diversity for us means ensuring we have the enablers in place for a supportive environment for women and diverse groups, and I'm proud of the networks that exist for women as well as our LGBT+ employees across the Group.

Reducing our gender pay gap will take time, but it's something we're absolutely committed to. I remain confident that we have the right strategy in place for the long term and will continue our drive to increase senior female representation and develop the next generation of future women leaders.



Jack Bowles
Chief Executive Officer



Previous reports can be found at
bat.com/genderpayreport.

This is our third Gender Pay Report, in accordance with the UK Equality Act 2010 (Gender Pay Gap Information) Regulations 2017. This requires UK companies with 250 or more employees to publish mean and median pay and bonus gender gaps, as well as the proportion of male and female employees receiving a bonus and the proportion of men and women in four equal pay quartiles. This data is taken at the snapshot date of 5 April 2019, as required by the regulations, while other global diversity data in this report is taken at year-end 2019. We can confirm that the information and data in this report is accurate and has been produced in accordance with the guidance on managing gender pay reporting developed by the Advisory, Conciliation and Arbitration Service (Acas).

PROMOTING GENDER DIVERSITY

Our Diversity and Inclusion Strategy is embedded across the Group worldwide and focuses on driving ownership and accountability, building diverse talent pools and creating enablers – all underpinned by an inclusive culture.

Driving ownership and accountability

Everyone at BAT has a role to play in driving our strategy and so we have clearly defined the ownership of, and accountability for, diversity across all areas of the business.

Setting the ‘tone from the top’ is crucial to this and so our Board Diversity Policy outlines the Board’s commitment to considering all aspects of diversity when reviewing the composition of, and succession planning for, the Board and Management Board. They review the Group’s Diversity and Inclusion Strategy twice a year, including details of specific initiatives and progress against our objectives.

To deliver the overall strategy, our business functions, regions and markets have diversity action plans and initiatives in place relevant to their area. For example, in our Operations function, gaining experience in a global role is critical for progressing to a senior position, but there can be times for some people when moving to a new country simply isn’t always practical or feasible. So, to ensure employees still get the experience they need, we have a number of global ‘location agnostic roles’ that would previously have required relocating to our headquarters in the UK but can instead be carried out from the employee’s home country.

Each leadership team for our business functions and regions also have a ‘Diversity Champion’. They are responsible for driving the agenda, including ensuring that agreed diversity action plans are implemented and that development and retention plans for high-potential employees are executed with a strong focus on gender diversity.

Diversity is also fully embedded into our talent review processes and meetings across all levels of the Group – from the Management Board down to local market level.

“We are fully committed at BAT to developing our female talent and embracing diversity in all forms. We’re making steady progress and will continue to keep pushing the boundaries to ensure gender parity across the Group.”

Hae In Kim
Director, Talent and Culture

Building diverse talent pools

We focus on building diverse talent pools at all levels of the organisation through recruiting, developing and retaining the best female talent. As can be seen in the adjacent charts, we have made significant progress since 2013 in increasing female representation at all management levels, including a 10 percentage point increase at senior management level.

We require all recruitment agencies we work with to provide gender-balanced shortlists of candidates. In the UK, the executive search firms we partner with are accredited under the UK Government’s Enhanced Code of Conduct for Executive Search Firms, which acknowledges those firms with a strong track record in, and promotion of, gender diversity in the FTSE. In 2019, 45% of our external recruits were women, including 24% into senior leadership roles, helping to bring new skills and capabilities to drive the transformation of our business. Women comprised 49% of our new graduate intake in 2019, helping to build a sustainable pipeline of future female leaders.

Our Women in Leadership programme has been supporting the development of our female employees for the last six years, and we’ve participated in the INSEAD business school’s Women Leaders Programme for the last four years. Together, these two programmes have supported 476 of our high-potential female employees.

We also provide a range of mentoring, coaching and sponsorship programmes to support women’s development, including, for

Percentage female representation globally

Main Board

2019	27%
2013	27%

Management Board

2019	15%
2013	0%

Senior management

2019	23%
2013	13%

Middle management

2019	34%
2013	29%

Junior management

2019	39%
2013	34%

the last five years, cross-company mentoring through the 30% Club in the UK. In addition, we have reverse mentoring schemes in our Information & Digital Technology (IDT) function and key markets, where junior managers mentor senior leaders to bring fresh perspectives and ways of working. In 2019, 12% of our management-level female employees were promoted, compared to 10% of male management-level employees.

We’re also having success in retaining our very best female talent, with turnover of senior women reducing from 15% in 2013 to 7.7%.

Women in STEM

As we continue to transform our business to develop new technologies and product categories, we need to unlock the best talent and bring different perspectives to innovation and problem-solving. So, in 2019, we launched our Women in STEM (science, technology, engineering and maths) initiative. Using external partnerships and internal learning and development platforms, this aims to attract, develop and retain more women in our Research & Development (R&D), Operations and IDT functions.

In the UK, we've joined WISE, a multi-stakeholder organisation that enables people in business, industry and education to increase the participation, contribution and success of women in STEM by organising knowledge sharing and networking events, training and webinars. These types of partnerships, which we are looking to implement in key hubs across the business, will also provide female employees the opportunity to widen their network and interact with peers from other companies.



Watch our video to hear from some of our women who are in STEM roles at BAT talking about the importance of the initiative and working for BAT as a STEM professional at bat.com/media.

Creating enablers

To realise our diversity ambitions, we know we must have enablers in place that provide a supportive environment for people to thrive and realise their full potential.

We understand the importance of helping our employees to balance their home and work lives – something that can be particularly challenging for new parents. Our Parents@BAT programme, launched at the end of 2018, provides a range of benefits to support new parents working in all BAT businesses worldwide. As well as significantly better terms than existing legal requirements for over 20,000 of our employees in 26 countries, it includes flexible working opportunities and an online advice service offering coaching support for all parents whenever they need it. The online coaching support also provides guidance for line managers so they can fully support their employees before, during and after parental leave.

In 2019, an analysis conducted by the Mumsnet website for parents in the UK found that BAT is among just 23 of FTSE 100 companies that transparently publishes its parental leave policies¹. Mumsnet's research has shown this is an important factor for people who are returning to work or looking to switch jobs.

We provide women and diverse groups with opportunities to connect, engage and share experiences through networks and other forums. This includes 13 women's networks that cut across all levels of the organisation. Our global 'B United' network provides our lesbian, gay, bi and transgender (LGBT+) employees with a safe forum to share experiences, mentoring opportunities and help with overcoming hurdles, such as those relating to adoption or travelling abroad with same sex partners.



In 2019, research by the Mumsnet website recognised that BAT is among just 23 of FTSE 100 companies that transparently publishes its parental leave policies as part of our Parents@BAT programme.

Our global 'B United' network provides our lesbian, gay, bi and transgender (LGBT+) employees with a safe forum to share experiences, mentoring opportunities and help with overcoming hurdles, such as those relating to adoption or travelling abroad with same sex partners.

¹ <https://www.mumsnet.com/campaigns/23-of-ftse-100-companies-publish-leave> (accessed March 2020).

Employee viewpoint



Beatriz Copelli
Group Head of
IDT for Corporate
Services

“Working in technology is a natural fit for me – I was always drawn to STEM subjects in school and went on to study computer science at university. So when I then got the opportunity to start my career with BAT as an IT trainee 20 years ago, I jumped at the chance.

I’ve personally not felt any barriers due to my gender and have had amazing support from BAT in developing my career and balancing life with my family. But it also wasn’t unusual in the early days for me to be the only woman in meetings!

Progress is being made and in the last three years alone we’ve increased female representation in our IDT function globally from 15% to 28%. Yet when you look across the tech industry, it’s estimated that women make up just 16% of IT professionals in the UK². That’s why it’s so important to de-bunk stereotypes, showcase role models and have initiatives like our Women

in STEM programme to attract, develop and retain more women in the sector.

In 2019, I was shortlisted by the Women in IT Awards for ‘CIO of the Year’ and four of my colleagues were also shortlisted in categories for ‘Digital Leader of the Year’, ‘Data Leader of the Year’ and ‘E-skills Initiative of the Year’. Not only were these great honours for us personally, they’re also a fantastic way of identifying new role models, celebrating women’s achievements and promoting dialogue around diversity in the technology sector.

Throughout my career, I’ve had the opportunity to work with so many inspiring people from different backgrounds and cultures. Now I feel very privileged to be able to give back through mentoring the next generation of talent, creating an inclusive environment and building diverse teams to lead the digital transformation of our business.”



Our employees
celebrating
International Women’s
Day
2019

Inclusive culture

We can only harness the benefits of a diverse workforce if we have an inclusive culture where all our employees can flourish regardless of their gender, ethnicity, culture or other differences.

Our *Strength from Diversity* training workshops are designed to help our managers understand unconscious, conscious and organisational bias, enhance their cultural awareness and provide practical ways to foster inclusive working environments.

We also work to continually raise awareness of diversity issues through campaigns and events that showcase best practice and provide platforms for role models to amplify their profiles across the Group. We celebrated the International Day of Women and Girls in Science in 2019 with a global campaign and video showcasing female scientists working in our R&D centre in the UK. In the US, our subsidiary Reynolds American Inc ran a ‘Women of Transformation’ campaign in 2019 to highlight and celebrate its innovative female leaders.



For the second year, we partnered with the International Women’s Day Association on the 2019 #BalanceforBetter campaign. Sponsored by

our Management Board, the campaign focused on collective action and shared responsibility for driving a gender-balanced world. Activities were held by our businesses around the world, including talks from inspiring female business leaders – both from within BAT and external organisations. We were honoured that our campaign was recognised for the second year as an example of best practice by the International Women’s Day Association and featured as a case study at internationalwomensday.com/bestpractice.

In 2019, we conducted our biennial global employee engagement survey, known as ‘Your Voice’, which had a response rate of 90% – 5 percentage points higher than the average for this type of survey. 88% strongly agreed that BAT supports diversity in the workplace – 13% higher than the FMCG comparator norm.

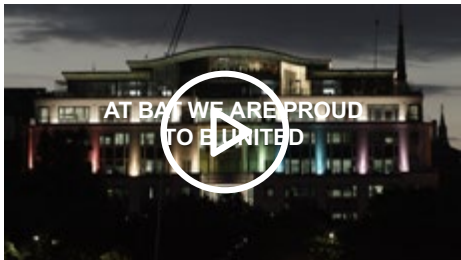
² According to WISE: <https://www.wisecampaign.org.uk/statistics/2018-workforce-statistics/> (accessed March 2020).

Next steps

While we are encouraged by our steady progress, we know that more needs to be done if we are to achieve a meaningful and sustained change at all levels and close our gender pay gap.

We will continue to build upon the success of our existing programmes and initiatives, as well as identifying new areas of opportunity.

In 2020, we plan to join the 30% Club's new international programme to bring cross-company mentoring opportunities to our female employees outside of the UK. We also plan to launch a new returner programme called IGNITE to support people who have taken career breaks back into the workplace. This will give us the opportunity to reach a largely untapped pool of high-calibre, experienced and motivated individuals, while also increasing gender, age and cognitive diversity among our workforce. We will pilot the programme initially in the UK before rolling it out to further BAT markets.



Watch our video about our 'B United' LGBT+ global community and how we lit up our London headquarters in rainbow colours to celebrate Pride month in 2019 at bat.com/media.



BAT was named as a diversity leader by the *Financial Times* in its inaugural Diversity Leaders report. Compiled from extensive research, with 80,000 people surveyed across 10 European countries, this recognises organisations that have achieved a diverse and inclusive workforce across several criteria.



Our accreditation as a Global Top Employer for the third year running acknowledges our commitment to providing best-in-class working environments and career opportunities, as well as supporting employees' work-life balance throughout their careers.

Employee viewpoint



Carla Renton
Vype Brand Manager:
Commercial Liquids
Development

"Joining BAT in the graduate programme was a great fit for the start of my working life. I'd studied chemical engineering, but was still unsure about what direction I wanted to take for my career. The programme helped me figure that out through getting hands-on experience in different areas of the business – from tobacco growing to product development to marketing.

From day one, I was struck by how open and supportive the culture at BAT is. I've been lucky to have some amazing mentors (both formal and informal) who have been so generous with their time. And there's a real sense of collaboration too – which surprised me at first for such a big international company.

I've also found BAT's focus on developing your leadership capabilities particularly valuable. For example, I did a three-day workshop on 'leading self', which included hearing from people in

leadership positions on the factors that shaped their career and what they learned along the way. I found it incredibly relatable – it gave me a practical understanding of the different career paths available and what I needed to get there.

I've experienced first-hand how BAT supports cross-functional careers, which as a young person provides exciting opportunities for personal and professional growth. I started my career in Product Development and after eight years was able to make the transition into Brand Marketing – the perfect foundation for my recent move into the Global New Categories team working on our Vype vapour products. This is a great opportunity for me to gain more commercial experience. And, with new category products evolving rapidly, it really feels like I'm making a direct contribution to the transformation of our business. I can't wait to see where the future takes us."

OUR UK-WIDE DATA

As part of our commitment to transparency, we have consolidated our gender pay data for all our UK employees, rather than just for our three UK businesses which fall into scope of the regulations. We feel that this better represents the intent of the regulations, particularly as to not do so would mean excluding some of the highest-paid men in the company.

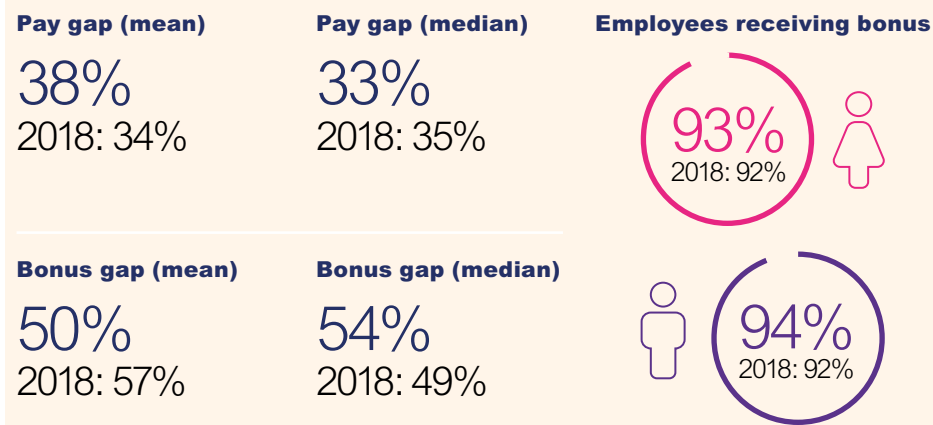
In total, we have 12 different businesses in the UK employing nearly 2,800 people³, including our Chief Executive, Management Board Directors and leadership teams for our global business functions, which attract the highest levels of remuneration and bonus opportunities.

Women account for over 40% of all our UK employees and we have a relatively even proportion of men and women in the lower to upper-middle pay quartiles. The number of women in senior roles has been steadily improving year on year and, in 2019, we increased the number of women hired or promoted into our top three senior grades, including two women to our Management Board, which had previously all been men.

As a result, the proportion of women in the upper pay quartile has increased from 24% to 27% in 2019 and we saw a small improvement in our median pay gap from 35% to 33%. On the other hand, a higher number of women recruited into junior roles in 2019 has led to our mean pay gap widening slightly from 34% to 38%. This is a short-term setback and, as we develop and nurture our female talent into more senior, higher paid roles, we expect to see our mean pay improve over the longer term.

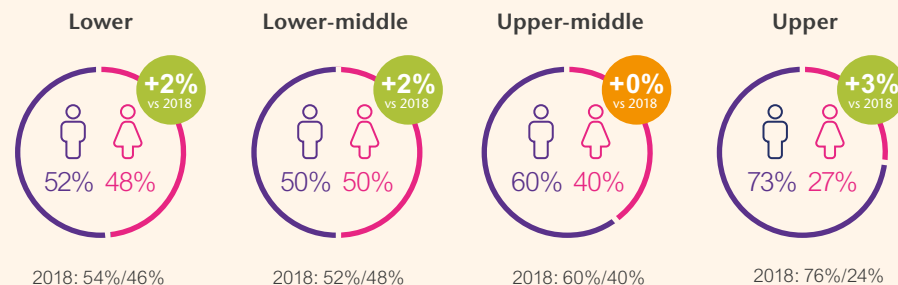
Clearly, we still have some way to go and know that it will take time for the impact of our Diversity and Inclusion Strategy (as outlined in the previous pages) to be seen on our data. We're confident, though, that we're on the right track and, as we continue to increase the number of women in senior positions and their time in role grows, this will lead to more demonstrable progress in closing both our pay and bonus gaps.

Consolidated data for BAT in the UK



There is no difference in eligibility or reward opportunity for men and women in any of our incentive plans.

Gender split per quartile pay band



³ As a global business which prides itself on offering international career paths, we have a number of employees with UK contracts who are currently based overseas. For the purposes of our disclosures, we have included all employees with a UK contract on either a short- or long-term assignment outside of the UK, as well as long-term assignees into the UK.

Equal pay for equal work

A gender pay gap, as defined by the UK regulations, does not mean unequal pay for men and women in equivalent jobs.

In line with good equal pay practice, we have long had in place a transparent and clearly defined global grading and compensation structure that uses standardised, objective instruments to determine the level and subsequent salary positions and pay ranges for all roles across the Group worldwide.

This ensures pay, bonuses and benefits are consistently applied for each job grade and are not impacted by gender in any way.



Bonuses at BAT

All our UK employees are entitled to participate in a bonus scheme, the majority of which are calculated by reference to company performance. We are confident that there is no discrimination in terms of bonus allocation.

In line with market practice, the level and type of bonus depends on the seniority of the role, the business unit and, to a lesser extent, the location of the role. Global, regional and market-based employees can all receive different levels of bonus depending on business unit performance.

In 2019, 94% of all male and 93% of all female employees received a bonus (compared to 92% for both men and women in 2018). This improvement was influenced by the introduction of a new bonus scheme in 2019 in our Nicoventures Retail business. The overall shortfall from 100% is explained by employee turnover.

Like many other large organisations, the higher proportion of men in senior positions is the primary driver of our gender bonus gaps of 50% (mean) and 54% (median). This is because we pay bonus as a percentage of salary, so the more senior a role, the higher the bonus opportunity.

Our bonus data is also influenced by the fact that, in common with other large companies, we have long-term incentive plans in place for senior management in addition to cash bonus payments. These include deferred share awards that cannot be accessed for a three-year period. The UK regulations, however, do not allow for shares held in deferred schemes to be included in the data. Consequently, bonus data for senior newly promoted and newly hired women appears lower than for their male colleagues despite them receiving the same total award – since they cannot access the deferred elements in the initial three-year period.

The data is also impacted by employees’ personal choices regarding when they decide to exercise their share options after the deferred period. This can be seen in the 7-point improvement in our mean bonus gap in 2019 – from 57% to 50% – which was primarily due to fewer senior male managers choosing to exercise their deferred share awards compared to 2018. For these reasons, our bonus gap data is likely to fluctuate each year.

There is complete alignment between men and women in terms of bonus eligibility and earning potential.

93%
of all UK female employees received a bonus in 2019

Our Employment Principles apply to all Group companies worldwide and include our commitments to:



Diversity and equal opportunities



Fair, clear and competitive remuneration and benefits



Reasonable working hours and family-friendly policies



Employee development and learning

bat.com/principles

OUR STATUTORY DATA

The regulations apply specifically to UK companies with 250 or more employees and, for BAT, this includes three of our UK businesses: BAT Holdings Ltd, BAT Investments Ltd and Nicoventures Retail (UK) Ltd.

The adjacent charts reflect the statutory data for each of our three in-scope UK businesses that has been published on the government’s online gender pay gap reporting service.

We have over 1,100 employees in BAT Holdings Ltd, who mainly work in our London headquarters, and over 900 employees in BAT Investments Ltd, based mainly in Southampton in operational or R&D roles. In both these businesses, the higher proportion of men in senior roles is the primary reason for the gender pay and bonus gaps, as outlined on pages 5–7.

Nicoventures Retail (UK) Ltd is our UK vapour (e-cigarette) business employing over 300 people, the majority of which are in non-management sales and administrative roles. There is a relatively even proportion of men and women across all pay quartiles, resulting in no median pay gap and just a 2% mean gap.

For the majority of employees in Nicoventures, bonuses are calculated according to an individual’s sales performance, unlike most other UK employees for whom bonuses are calculated by reference to company performance. As a result, the percentage of employees receiving a bonus is lower than in BAT Holdings and BAT Investments.

The mean bonus gap of 13% in favour of women is driven by the slightly higher proportion of women in the upper pay quartile; whereas the median gap of 8% in favour of men reflects more men receiving higher sales bonuses in 2019.

	BAT Holdings Ltd	BAT Investments Ltd	Nicoventures Retail (UK) Ltd ⁴
Pay gap (mean)	42%	37%	2%
Pay gap (median)	33%	32%	0%
Bonus gap (mean)	48%	49%	-13%
Bonus gap (median)	53%	48%	8%
Employees receiving bonus			

Gender split per quartile pay band

Lower	41% 59%	52% 48%	52% 48%
Lower-middle	55% 45%	51% 49%	46% 54%
Upper-middle	60% 40%	64% 36%	59% 41%
Upper	76% 24%	78% 22%	49% 51%

⁴ The management structure in Nicoventures is less senior than in other business units, so those in the upper quartile are broadly similar to the upper-middle quartiles for BAT Holdings Ltd and BAT Investments Ltd.



Careers website

Find out more about what it's like to work for BAT and search and apply for jobs in our businesses worldwide.

 bat-careers.com



Annual Report

Details of our Group strategy, business model, strategic management and performance, principal Group risk factors, corporate governance and financial statements.

 bat.com/annualreport



Sustainability Strategy Report

Details of our Sustainability Agenda, including our principal focus area to reduce the health impact of our business and other environmental, social and governance (ESG) priorities.

 bat.com/sustainabilityreport



ESG Report

Comprehensive details for all our ESG priorities, including policies, accountability, management approach, targets and performance for each topic.

 bat.com/sustainabilityreport



Focus Reports

More in-depth information on a specific topic, including our most recent reports on Harm Reduction and Sustainable Agriculture and Farmer Livelihoods.

 bat.com/sustainabilityfocus

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References in this report to 'British American Tobacco', 'BAT', 'we', 'us' and 'our' when denoting opinion refer to British American Tobacco p.l.c. and when denoting tobacco business activity refer to British American Tobacco Group operating companies, collectively or individually as the case may be.

The report contains forward-looking statements that are subject to risk factors associated with, among other things, the economic and business circumstances occurring from time to time in the countries and markets in which the Group operates. It is believed that the expectations reflected in these statements are reasonable but they may be affected by a wide range of variables that could cause actual results to differ materially from those currently anticipated.



www.bat.com/genderpayreport