



# Strength from Diversity

British American Tobacco  
Gender Pay Report 2018



BRITISH AMERICAN  
TOBACCO


# At BAT, ‘Strength from diversity’ has long been one of the core values which form the foundation of our culture and guide how we deliver our strategy.



**Nicandro Durante**  
Chief Executive

This is our second Gender Pay Report, in accordance with the UK Equality Act 2010 (Gender Pay Gap Information) Regulations 2017, which require UK companies with 250 or more employees to publish information on the average pay and bonus amounts paid to UK employees, as well as the proportion of male and female employees receiving a bonus and the proportion of male versus female employees within each quartile of the total employee population.

Our 2017 report can be found at:

 [bat.com/genderpayreport](http://bat.com/genderpayreport)

I have always been clear that the 55,000+ people we employ worldwide are key to our success. Without these great-quality people, we will be unable to deliver against our commitment to transform our business and provide our consumers with an outstanding range of potentially reduced-risk products.

That’s why, over my 37 years at BAT, including the last eight years as CEO, I’ve been 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.

As this report shows, men and women at BAT are paid equally for equivalent jobs; however, we do have a ‘gender pay gap’ as defined by the UK regulations. This is largely a reflection of BAT, like many other companies, having more men than women in senior roles. Addressing this imbalance has long been a key focus of our Diversity & Inclusion strategy. Reducing the gap will take time, but it’s something we’re absolutely committed to.

We’ve built strong foundations and the success of our approach can be seen in the steady but significant progress achieved so far, including doubling female representation in senior management since 2012, and the appointment in January 2019 of two women to our Management Board.



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While we still have a long way to go, I’m confident that we have the right strategy in place. Jack Bowles, who will succeed me as CEO from April, is just as personally committed to continuing our drive to increase senior female representation and develop the next generation of future women leaders. Under his leadership, I have no doubt that meaningful progress will be made over time in achieving gender parity at all levels across the Group and thereby closing our gender pay gap.

Within the following pages you will find information on our Group-wide Diversity & Inclusion strategy and next steps, our statutory UK gender pay gap statistics and the underlying rationale for the gap these reveal.

I can confirm that the information and data provided 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).

*Nicandro Durante*

**March 2019**

# Promoting gender diversity

Our Group-wide Diversity & Inclusion strategy has been in place since 2012 and, over that time, we have doubled the representation of women in senior management roles globally, from 11% to 22%. While we're encouraged by this progress, it is not at the pace and scale we would like, and so we continue to focus on the three key pillars of our strategy to: drive ownership and accountability; build diverse talent pools; and create enablers, all of which are underpinned and supported by an inclusive culture.

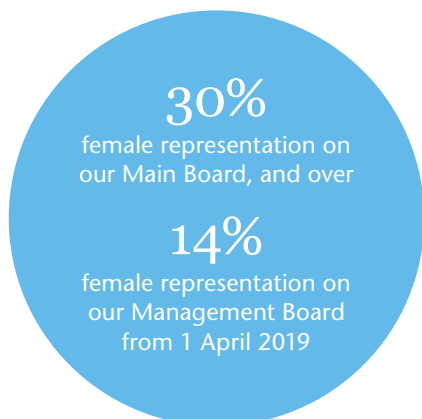
## Driving ownership and accountability

Ensuring ownership of and accountability for our Diversity & Inclusion strategy across all business areas and levels of the Group is key to driving progress.

This is why each of our Regions and all Functions worldwide have a Diversity Champion, who is a member of the Leadership Team. 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.

For example, our IT Function is partnering with our major IT suppliers to provide cross-company mentoring for women in technology. And our Operations Function has identified a number of global 'location-agnostic roles' that would previously have required relocating but can instead be carried out from the employee's home country.

This approach helps ensure that diversity is embedded across the Group and that our pipeline of female talent is strong and healthy. Our Main Board reviews progress on our diversity activity and performance twice a year, and diversity reporting forms a key part of all Functional and Regional Leadership Team meetings, with quarterly reviews.



## Building diverse talent pools

While we have broadly equal representation in lower levels of the organisation, there are far fewer women in senior roles. So we continue to focus on recruiting, developing and retaining the best female senior talent, and building diverse talent pools for the next generation of future leaders.

We require all recruitment agencies we work with to provide gender-balanced shortlists of candidates. We also focus on developing talent from within and one of the ways we're supporting women's development into senior roles is through our Women in Leadership programme. This provides training, mentoring and other types of career support for high-potential female employees and, over the last two years, has supported over 250 delegates. For the last four years, our most senior women also take part in the Women Leaders Programme, run in conjunction with INSEAD business school.

We also provide mentoring, coaching and sponsorship programmes and have

participated in the 30% Club mentoring scheme for five years. This provides external support for our senior women, as well as mentoring women from other organisations.

As a result, in 2018, 51% of our senior recruits and 33% of internal promotions were women, moves that have helped deliver stronger and more diverse leadership teams. And we're having success in retaining our very best female talent, with turnover of senior women reducing dramatically from 15% in 2013 to just 1.7% in 2018.

In addition, 46% of our new graduate intake in 2018 were women, ensuring a sustainable pipeline for senior management roles in the future.

The 2019 appointments of two women to our Management Board are also great examples of our strategy in action. Hae In Kim, our new Director for Talent and Culture, has progressed into this leadership role over 11 years with the Group; and Marina Bellini, our new Director for Digital and Information, was one of our new senior recruits in 2018.

## Overview of our Diversity & Inclusion strategy



### Driving ownership and accountability

- Biannual tracking of progress by our Main Board
- Oversight of all Regional and Functional action plans by the relevant Leadership Team
- Dedicated Diversity Champions for all Regions and Functions worldwide



### Building diverse talent pools

- INSEAD's Women Leaders Programme
- Women in Leadership programme
- Global Graduate programme
- Gender-balanced recruitment shortlists
- Individual mentoring, coaching and sponsorship
- 30% Club mentoring scheme



### Creating enablers

- PARENTS@BAT: global minimum standards for 16 weeks' fully paid maternity leave, return-to-work guarantee, flexible working and coaching support
- 12 women's networks globally
- International Dual Career Network
- B-UNITED LGBT+ employee network



### Supported by an inclusive culture

- Inclusive Leadership and Understanding Bias training
- International Women's Day campaigns for global gender parity

## Promoting gender diversity continued

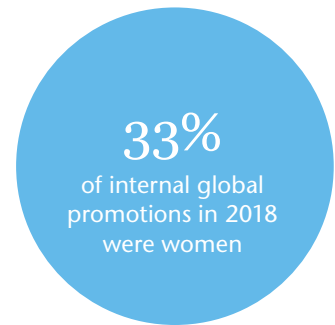
### Creating enablers

To realise our diversity ambitions, we know we must develop enablers to provide a supportive environment for people to thrive. One of the ways we do this is by providing women and other diverse groups with an opportunity to connect, engage and share experiences. At the moment we support 12 women's networks across the Group that cut across all levels of the organisation, including our Women in BAT UK network, which currently has nearly 400 members.

Complementing these networks, the 12 most senior women in the business have established a panel with the aim of developing and sponsoring women, as well as to encourage and support the Group's leadership on its approach to gender diversity and the way in which talent pipelines are developed and managed.

In 2018, we launched Parents@BAT – a range of benefits to support new parents working in all BAT businesses worldwide to balance their home and work lives. This offers significantly better terms than existing legal requirements for over 20,000 of our employees in 26 countries, including a minimum of 16 weeks' fully paid maternity leave for new mothers and adoptive parents as well as a return-to-work guarantee, flexible working opportunities and an online advice service offering coaching support for all parents whenever they need it.

In many countries BAT's support for new parents already goes far beyond these minimum guidelines, and local statutory requirements. For example, in the UK, we provide maternity leave with six months' full pay with a pro-rata bonus, statutory pay for three months and a return-to-work guarantee.



### Employee viewpoint



**Maria Alice Tavares,**  
Group Head of Operations  
Transformation

"I joined BAT as a management trainee in 1995 and have had a range of roles over the years both in Brazil and at our UK headquarters. In 2018, I was promoted into my current position on the Global Operations Leadership Team, reporting directly to our Operations Director.

At different stages of our life, we have different needs, and I've personally benefited from BAT's flexibility and commitment to helping me realise my personal and career aspirations.

For example, when I returned to work after the birth of one of my children, I was in a regional role which required a lot of travelling. So BAT found me a local role in a different department. Not only did it help me balance my work with parenthood, it was a fantastic opportunity to learn new skills and develop my leadership capabilities. It was also an important step towards my later move to a senior global role in the UK, for which BAT

provided invaluable relocation assistance and support for my husband's career.

The passion and dedication of the managers I've worked with over the years have really inspired me and were big reasons for me volunteering to be the Operations Diversity Champion. Traditionally, Operations has been very male dominated, but progress has been made in increasing female representation and women now make up 33% of our Leadership Team. This is just the beginning; we now need to build upon our strong foundations and find new ways to achieve our diversity ambitions.

As we work to transform our business and the industry, I think our culture of inclusion is more important than ever and is crucial to be a truly diverse and winning organisation for the long term."

## Promoting gender diversity continued

### Inclusive culture

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

Our Inclusive Leadership and Understanding Bias training workshop is designed to make sure managers not only recognise they may have personal or organisational bias, but that they also understand how to develop inclusive teams and incorporate the viewpoints of others.

In 2018, we partnered with the International Women's Day Association on the #PressforProgress campaign. Sponsored by our Management Board, the campaign focused on raising awareness and reinforcing the importance of gender parity. Activities were held across our businesses around the world, including inspirational talks from female leaders from both BAT and other leading companies, and opportunities for our employees to make their own commitments and pledges.

### Next steps

While we are encouraged by our steady progress in increasing female representation in senior roles, we understand 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, expanding their scope and strengthening them further. We also expect the implementation of Parents@BAT to start having a demonstrable impact on retaining our female talent.

As we transform our business and workforce to harness new product technologies and innovations, in 2019 we plan to pilot a Women in STEM (science, technology, engineering and mathematics) programme focused on encouraging more women into those business areas that traditionally attract more men, starting with our Research & Development Function. And we also plan to explore new opportunities for supporting more women who have taken career breaks back into the workplace.

### Best practice recognition

by the International Women's Day Association for our 2018 #PressforProgress global campaign on gender parity  
[Internationalwomensday.com/bestpractice](https://internationalwomensday.com/bestpractice)

86%

of our employees globally told us that BAT provides a diverse and inclusive workplace in our 2017 'Your Voice' employee engagement survey

### Employee viewpoint



**Marina Bellini**  
Director, Digital and Information

"I joined BAT a year ago as the Group's Chief Information Officer and Head of Digital Transformation and, in January 2019, I was very proud to be appointed to the Management Board as Director, Digital and Information.

Throughout my career I've always challenged the perception of having a separate personal and professional life – for me, there is only one life and, as a mother of two daughters, I made a choice on what was important in life and worked my way through it, never giving up.

Now, being able to inspire women in technology and beyond, encouraging them to take on bigger challenges and break some of the self-limiting beliefs we can have, is something I feel very passionate about.

In our IT Function, we have a dedicated team of 12 Diversity & Inclusion (D&I) Champions worldwide and a 'D&I hive'

network across all our markets, comprising over 40 people. This team focuses on driving our D&I strategy, including internal and external cross-company mentoring schemes and participating in networks and events, such as the 'Women Who Hack' initiative for supporting and connecting women in technology and 'Women in Tech' panels at international conferences. We also do a lot of work in attracting, developing and retaining our diverse talent in IT. We can see the results of this in how we've grown representation of women in the Function from 15% in 2016, to 23% in 2018.

As a senior leader at BAT, I'm dedicated to continuing to drive for further progress in nurturing talent and building diverse teams across IT and, indeed, the whole organisation. After all, diversity is a strength: a powerful tool for us to be a better company, better people, and to better reflect the world we live in."

# Our UK gender pay reporting

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.

## More men in senior roles creates a reported gender pay gap

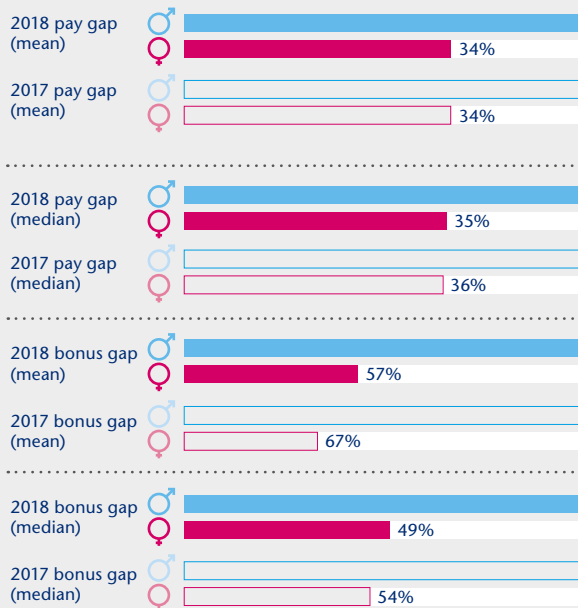
As can be seen in the adjacent data chart, in 2018, the mean pay gap for all our UK employees has remained steady at 34% and we have seen a small 1% improvement in the median pay gap to 35%. This 2018 data includes the addition of our newly acquired company, Nicoventures Retail (UK) Ltd. A like-for-like comparison with our 2017 data (excluding Nicoventures) shows a small improvement in our a mean pay gap to 33% and the median pay gap remaining steady at 36%.

This pay gap is primarily driven by the fact that we have a far higher proportion of men in senior roles and who, in general, have been in those roles longer than their female colleagues. The numbers are also significantly impacted by our highest-paid employees, the Management Board, who, in 2018, were all men.

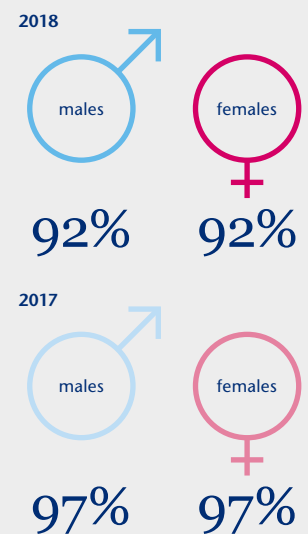
This minimal change, compared to 2017, was expected as our strategy to increase senior female representation will take time to bring about meaningful change in closing our gender pay gap. However, we are encouraged by the small increase in female representation in the upper three UK quartile pay bands. We also expect the new appointments of two women to our Management Board to start having an impact on our gender pay gap data from 2019.

Find out more about the work we're doing to increase senior female representation on pages 2-4. Our statutory data for the three in-scope UK businesses can be found on page 8.

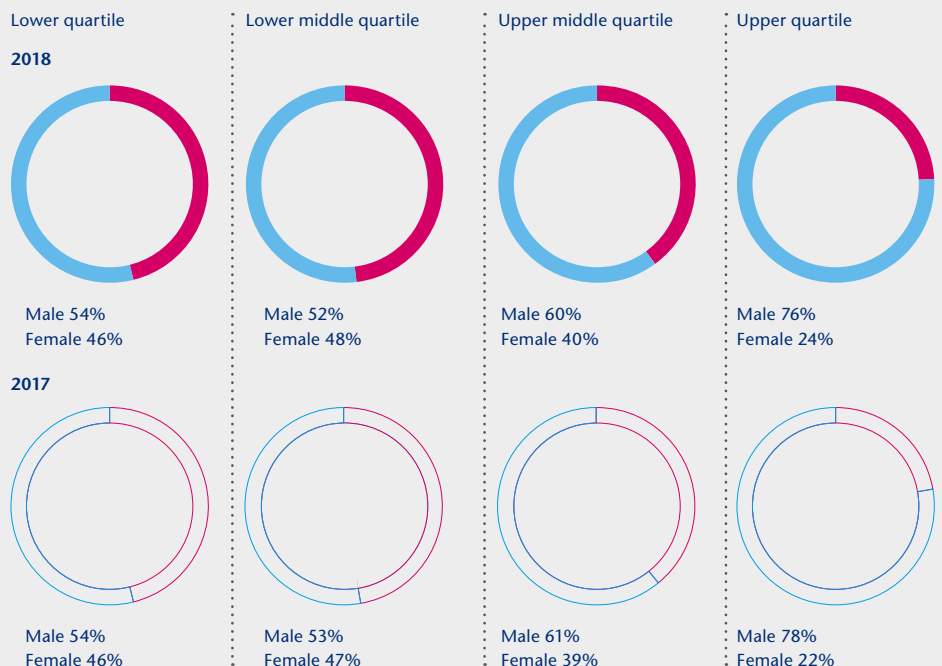
## Consolidated data for BAT in the UK



## Percentage receiving bonus (all eligible employees)



## Gender split per quartile pay band



## Our UK gender pay reporting continued

### More senior men, with more time in role, results in a reported gender bonus gap

We pay bonus as a percentage of salary and the more senior a role, the higher the bonus opportunity. As such, the imbalance of more men than women in senior positions, with access to our very highest bonus opportunities, is the primary reason for our mean bonus gap of 57%.


The bonus gap is also influenced by the fact that, compared to the senior men, a large proportion of the senior women are newly hired or recently promoted. In common with other large companies, we have equity-based incentive plans in place for our more senior employees, where bonuses are split between a cash element and a deferred share award 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. As a result, the 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 yet access the deferred elements of their bonus package in the initial three-year period.

While this creates an exaggerated bonus gap in our reported data, it nevertheless also shows that our drive to increase the number of women in senior management is working. Over time we expect to see a larger proportion of women in senior roles, receiving both cash and deferred awards as their time at that level grows. Indeed, this year's 10 percentage point improvement in our mean bonus gap, from 67% to 57%, was driven by some of our longer-serving women in senior roles accessing their deferred bonus payments.

All UK BAT employees are entitled to participate in an applicable bonus scheme and, in 2018, 92% of all eligible male and female employees received a bonus (compared to 96% in 2017).

This decline was primarily driven by the inclusion of Nicoventures Retail (UK) Ltd, for which bonus is calculated according to employees' individual performance, whereas bonuses are calculated by reference to company performance for all other UK employees. The remaining shortfall from 100% is explained by employee turnover.



 Find details of our Parents@BAT programme on page 3.

## Our UK gender pay reporting continued

### Men and women receive 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. We have a transparent and clearly defined global grading structure to ensure pay, bonuses and benefits are consistently applied for each job grade. So, we are confident that the amount we pay our employees is not impacted by gender in any way.

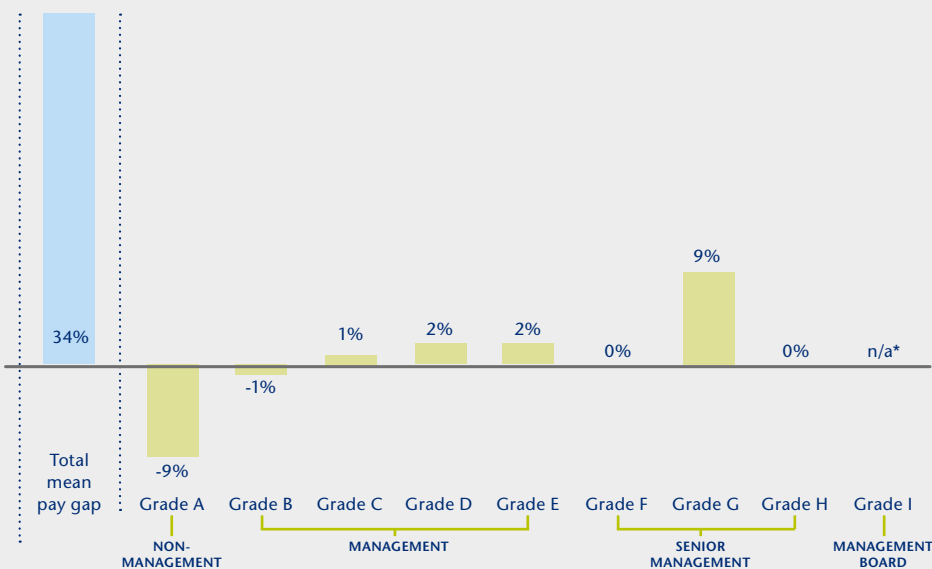
This can be seen clearly when we examine the monthly salary received by men and women at each employment grade in the graphic below. Any small gender gaps that do exist in the same grade can be explained by the type or location of the role or by time in grade.

At non-management Grade A, a large proportion of women work in London-based administrative roles, whereas the majority of men are based in distribution roles outside of the capital where the pay levels are lower. In this situation, both location and nature of work contribute to a salary gap of 9% in favour of women at non-management level.

On the other hand, in the more senior Grade G, there is a 9% gap in favour of men (compared to 5% in 2017). This decline was driven by some of the longer-serving women in this grade either retiring or being promoted to Grade H. As a result, the remaining women in Grade G have less time in role – an average of two years and nine months, compared to an average of four years and nine months for men.



Average salary gap for all UK employees and salary gap by job grade  
monthly salary only from non-management (Grade A) to Management Board level (Grade I)



\* In 2018, there were no women at Management Board level (Grade I).





# Statutory reported data

In total, BAT in the UK employs approximately 2,800 people across 12 different businesses. This includes our global headquarters, where 83 different nationalities are represented; our global research and development (R&D) centre in Southampton, which has over 400 highly skilled specialists in areas such as biochemistry, genetics, toxicology, biotechnology and electronics; and our UK trading business based in Richmond, Surrey.


In the interests of transparency, we have included consolidated data for all our UK employees on page 5.

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.

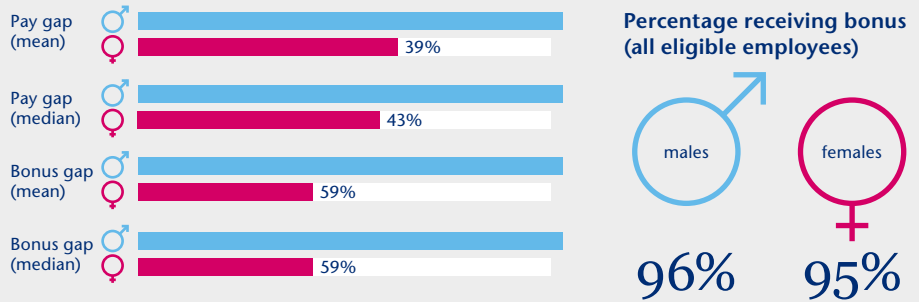
The regulations apply specifically to UK companies with 250 or more employees and, for BAT, this includes three of our UK businesses: BAT Holdings Ltd, BAT Investments Ltd and Nicoventures Retail (UK) Ltd. The adjacent charts reflect the data for each of these companies that has been published on the government's online database.

For BAT Holdings and Investments Ltd, the rationale for the gender pay and bonus gaps is namely an issue of under-representation of women in senior roles, as outlined on pages 5–7.

For Nicoventures Retail (UK) Ltd, more women tend to work in management positions, whereas the majority of men are in non-management sales and warehouse roles. This has resulted in just a 1% mean pay gap and a 4% median pay gap in favour of women. The percentages of eligible employees receiving a bonus are also lower in Nicoventures as bonuses are calculated according to employees' individual performance, whereas they are calculated by reference to company performance for all other UK employees. More details on our bonus payments can be found on page 6.

 Find details of our efforts to address our gender pay gap and increase female representation at senior levels on pages 2–4.

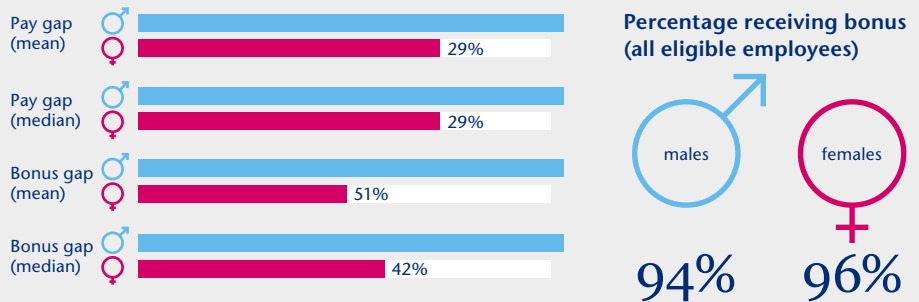
## Data for BAT Holdings Ltd



### Gender split per quartile pay band



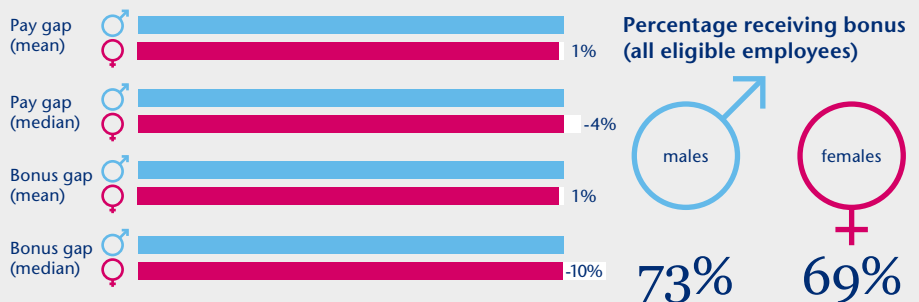
## Data for BAT Investments Ltd



### Gender split per quartile pay band



## Data for Nicoventures Retail (UK) Ltd



### Gender split per quartile pay band\*



\* 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 and lower middle quartiles for BAT Holdings and Investments.



### Performance centre

Performance charts against our key metrics and indicators, including those relating to diversity and labour practices.

 [bat.com/sustainability/data](http://bat.com/sustainability/data)



### 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](http://bat-careers.com)



### Sustainability Report

Our sustainability strategy and the three key areas of Harm Reduction, Sustainable Agriculture and Farmer Livelihoods, and Corporate Behaviour.

 [bat.com/sustainabilityreport](http://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](http://bat.com/sustainabilityfocus)



### Annual Report

Our Group vision, strategy, business model, governance, principal risk factors and financial reporting.

 [bat.com/annualreport](http://bat.com/annualreport)

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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.