

## **INTRODUCTION**

In March 2000, the Finance Committee on Corporate Governance issued the Malaysian Code on Corporate Governance (“the Code”) which has provided tools for corporate governance reform. In 2017, the Code which supersedes its earlier edition, takes on a new approach to promote greater internalisation of corporate governance culture.

British American Tobacco (Malaysia) Berhad (“BATM”) and its group of companies (“the Group”) fully supports the recommendations of the Code and is committed to ensure that structures and processes used to direct and manage the business and affairs of the Group towards enhancing business prosperity and corporate accountability with the ultimate objective of realising long term shareholder value, whilst taking into account the interests of other stakeholders are established and reviewed as maybe required.

This British American Tobacco (Malaysia) Berhad Code on Corporate Governance (“BATM Code”) sets out the principles and best practices to be applied by the Group in their operations towards achieving the optimal governance framework.

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## THE BOARD OF DIRECTORS

### A. ROLE

1. The Board of Directors (“the Board”) is responsible to the shareholders for the overall strategic direction and governance of the British American Tobacco (Malaysia) Berhad group of companies (“the Group”).
2. Besides its usual legal and statutory responsibilities, the Board is responsible for the following:
  - (a) Reviewing and adopting a strategic plan for the Group;
  - (b) Overseeing the conduct of the Group’s business to evaluate whether the business is being properly managed;
  - (c) Identifying principal risks and ensuring the implementation of appropriate systems to manage these risks;
  - (d) Succession planning, including appointing, training, fixing the compensation of and where appropriate, replacing senior management;
  - (e) Developing and implementing an investor relations programme or shareholder communications policy for the Group;
  - (f) Reviewing the adequacy and the integrity of the Group’s internal control systems and management information systems, including systems for compliance with applicable laws, regulations, rules, directives and guidelines;
  - (g) Approving the financial statements and accounting policies of the Group;
  - (h) Declaring dividends;
  - (i) Establishing Committees including the Audit Committee, Nomination Committee and the Remuneration Committees and determining the authorities to be delegated to Committees of the Board;
  - (j) Receiving and reviewing reports from Committees of the Board;
  - (k) Establishing and monitoring compliance with the Group’s Standards of Business Conduct and other policies of the Company;
  - (l) Establishing appropriate systems of corporate governance in the Group; and
  - (m) Considering and approving other matters specifically reserved for the attention of the Board.

## **B. COMPOSITION**

1. There should be a clear division of responsibility between the Chairman and the Managing Director to ensure that there is a balance of power and authority.
2. The Board should include a balance of Executive Directors and Non-Executive Directors. Non-Executive Directors should be persons of calibre, credibility and have the necessary skill and experience to bring an independent judgement to bear on the issues of strategy, performance and resources including key appointments and standards of conduct.
3. To be effective, the Board shall consist of at least one third (1/3) of Non-Executive Directors who shall be independent, namely independent of management and free from any business or other relationships which could interfere with the exercise of their independent judgement or the ability to act in the best interests of the Company.
4. All Directors shall retire from office at least in each three (3) years but shall be eligible for re-election.
5. Every Director shall give to the Bursa Malaysia Securities Berhad (“Bursa Malaysia”) an undertaking to comply with the Listing Requirements of the Bursa Malaysia in the form attached hereto as Appendix “A” not later than fourteen (14) days from the date of his appointment in accordance with the Listing Requirements of the Bursa Malaysia.
6. Every Independent Director shall give to the Bursa Malaysia, a letter confirming and declaring that he is an Independent Director in the form attached hereto as Appendix “B” not later than fourteen (14) days from the date of his appointment in accordance with the Listing Requirements of the Bursa Malaysia.
7. Every Director shall also file with the Bursa Malaysia a declaration to comply with the requirements on restriction of Directorships in the form attached as Appendix “C” not later than fourteen (14) days from the date of his appointment in accordance with the Listing Requirements of the Bursa Malaysia.
8. In order to facilitate any concern being conveyed to the Board, the Board shall appoint a senior Independent Non-Executive Director of the Board to whom such concerns may be conveyed.

## **C. TRAINING FOR DIRECTORS**

1. A Director who is appointed to the Board must attend the Mandatory Accreditation Programme (“MAP”) within four (4) months from the date of his appointment if he is not already in possession of a certificate issued by the training centre accredited by Bursa Malaysia.
2. All Directors must attend continuous training programmes that are prescribed by the Bursa Malaysia and the Company from time to time.

#### **D. DIRECTORS' ACCESS TO INFORMATION AND ADVICE**

1. All Directors shall in furtherance of their duties, have access to all information within the Company or take independent professional advice at the Company's expense if necessary.
2. All Directors shall have access to the advice and services of the Company Secretary of the Company, the appointment and removal of whom is a matter for the Board.
3. In the event that any Director shall require any information to be supplied in furtherance of his duties, the officers of the Company shall ensure that such information is supplied in a timely manner and in the form and of a quality appropriate to enable the Director to discharge his duties. Such information shall include financial information and information that assist the Board in assessing performance factors such as customer satisfaction, product and service quality, market share, market reaction, environmental performance and so on when dealing with any item on the agenda.
4. In the event that any Director shall need to seek professional advice in furtherance of his duties, he shall first consult with and obtain the prior approval of the Chairman of the Company.

#### **E. MEETINGS OF THE BOARD**

1. The Board shall meet at least four (4) times per annum (broadly in accordance with the following programme):
  - Mid – February - to review and approve the annual financial statements, to declare the 4<sup>th</sup> interim dividend and to agree the agenda for the Annual General Meeting.
  - Mid - April - to review the first quarter results and declare the 1<sup>st</sup> interim dividend.
  - Late July - to review the first half results and declare the 2<sup>nd</sup> interim dividend.
  - Late October - to review the third quarter results and declare the 3<sup>rd</sup> interim dividend.
2. Special meetings of the Board shall be convened to deal with urgent matters where necessary.
3. The agenda for the Board meetings shall be set by the Managing Director in consultation with the Chairman and the Company Secretary.
4. The minutes of the meetings of the Board which include all issues discussed in arriving at the decisions and conclusions of the Board shall be recorded, prepared and circulated by the Company Secretary and the Company Secretary shall also ensure that the minutes are properly kept and produced for inspection if required.

## **BOARD COMMITTEES**

COMMITTEES are established to assist the Board in performing its duties. There are three established Committees and other Committees may be established from time to time for specific purposes.

### **THE AUDIT COMMITTEE**

#### **A. COMPOSITION**

1. The Audit Committee shall comprise at least three (3) members, the majority of whom are independent. All the members of the Audit Committee must be Non-Executive Directors.
2. The Chairman of the Audit Committee shall be an Independent Non-Executive Director.
3. The Company Secretary shall be the Secretary of the Audit Committee.
4. At least one (1) member of the Audit Committee shall be a member of the Malaysian Institute of Accountants or alternatively a person who must have at least three (3) years' working experience:
  - (i) have passed the examinations specified in Part 1 of the 1<sup>st</sup> schedule of the Accountants Act 1967
  - (ii) is a member of one of the associations specified in Part II of the said schedule;
  - (iii) has a degree/masters/doctorate in accounting or finance and at least three (3) years' post qualifications experience in accounting or finance; or
  - (iv) is a member of a professional accountancy organisation which has been admitted as full members of the International Federation of Accountants and at least three (3) years post qualification experience in accounting or finance; or
  - (v) at least seven (7) years of experience being a chief financial officer of a corporation or having the function of being primarily responsible for the management of the financial affairs of a corporation.
5. No alternate Director shall be appointed as a member of the Audit Committee. The Board shall review the terms of office and performance of the members of the Audit Committee at least once every three (3) years to determine whether the members have carried out their duties in accordance with their terms of reference.
6. In the event of any vacancy in the Audit Committee resulting in the non-compliance of the Listing Requirements of the Bursa Malaysia, the Board shall fill the vacancy within three (3) months from the date of the vacancy.
7. At least two years cooling-off period shall be observed, before a former key audit partner is appointed as a member of the Audit Committee.

## **B. AUTHORITY**

1. The Audit Committee is authorised by the Board to review any activity within the Audit Committee's terms of reference. It is authorised to seek any information it requires from any Director or member of management and have full and unrestricted access to any information pertaining to the Group and the management, and all employees of the Group are required to comply with the requests made by the Audit Committee.
2. The Audit Committee is authorised by the Board to obtain external professional advice and secure the attendance of any external party with relevant experience and expertise if it considers this necessary, the expenses of which will be borne by the Company.
3. In the event that any member of the Audit Committee shall need to seek external professional advice in furtherance of his or her duties, he or she shall first consult with and obtain the prior approval of the Chairman of the Audit Committee.
4. The Audit Committee shall have direct communication channels and be able to convene meetings with the external auditors, the internal auditors or both excluding the attendance of other Directors and employees of the Company, whenever deemed necessary.

## **C. DUTIES OF THE AUDIT COMMITTEE**

1. To review the quarterly, half-yearly and annual financial statements of the Group, focusing particularly on:
  - (a) any significant changes to accounting policies and practices;
  - (b) significant adjustments arising from the audits;
  - (c) compliance with applicable Financial Reporting Standards and other legal and regulatory requirements; and
  - (d) the going concern assumption;
2. To review any related party transaction and conflict of interest situations that may arise within the Group including any transaction, procedure or course of conduct that raises questions of management integrity;
3. To consider annually the Risk Management framework adopted within the Group and to be satisfied that the methodology employed allows the identification, analysis, assessment, monitoring and communication of risks in a regular and timely manner that will allow the Group to minimise losses and maximise opportunities;
4. To ensure that systems of internal control are soundly conceived and in place, effectively administered and regularly monitored;
5. To cause reviews to be made of the extent of compliance with established internal policies, standards, plans and procedures including for example, the Group's Standards of Business Conduct;
6. To obtain assurance that proper plans for control have been developed prior to the commencement of major areas of change within the Group;

7. To recommend to the Board steps to improve the systems of internal control derived from the findings of the internal auditor and external auditor and from the consultations of the Audit Committee itself;
8. To be satisfied that the strategies, plans, manning and organisation for internal auditing are communicated down through the Group specifically;
  - (a) To review the internal audit plans and to be satisfied as to their consistency with the Risk Management Framework used, adequacy of coverage and audit methodologies employed;
  - (b) To be satisfied that internal audit has the competency and qualifications to enable them to complete their mandates and approved audit plans;
  - (c) To review status reports from internal audit and ensure that proper action is taken on the recommendations of the internal audit function. To recommend any broader reviews deemed appropriate as a consequence of the issues or concerns identified;
  - (d) To review any appraisal or assessment of the performance of the members of the internal audit, approve any appointment or termination of senior staff members of the internal audit function and inform itself of any resignations of internal audit staff members and reasons thereof;
  - (e) To ensure internal audit has full, free and unrestricted access to all activities, records, property and personnel necessary to perform its duties; and
  - (f) To request and review any special audit which it deems necessary;
9. To review with the external auditor the nature and scope of the audit plan, audit report, evaluation of internal controls and ensure co-ordination where more than one external auditor is involved. The Audit Committee will consider a consolidated opinion on the quality of external auditing at its meetings;
10. To review any matters concerning the appointment and re-appointment, audit fee and any questions of resignation or dismissal of the external auditor;
11. To review and evaluate factors related to the independence of the external auditor and assist the external auditor in preserving its independence;
12. To be advised of significant use of the external auditor in performing non-audit services within the Group, considering both the types of services rendered and the fees, such that the external auditor's position as auditors is not deemed to be compromised;
13. To review the external auditors' findings arising from audits, particularly any comments and responses in management letters as well as the assistance given by the employees of the Group in order to be satisfied that appropriate action is being taken;
14. To recommend to the Board, steps to improve the system of internal control derived from the findings of the internal and external auditors and from the consultations of the Audit Committee itself;

15. To review with the external auditor the statement of internal control of the Group for inclusion in the annual report;
16. To prepare the annual Audit Committee report to the Board which includes the composition of the Audit Committee, its terms of reference, number of meetings held, a summary of its activities and the existence of an internal audit function and summary of the activities of that function for inclusion in the annual report;
17. To review the Board's statements on compliance with the Malaysian Code of Corporate Governance ("Code") for inclusion in the annual report; and
18. To act on any other matters as maybe directed by the Board.

#### **D. MEETINGS AND MINUTES**

1. The Audit Committee shall meet at least four (4) times annually. However, at least twice a year, the Audit Committee shall meet with the external auditors without Executive Directors being present.
2. A majority of the members in attendance must be Independent Directors in order to form a quorum for the meeting.
3. Other than in circumstances which the Chairman considers inappropriate, the Finance Director and external auditors shall normally be entitled to attend any meeting of the Audit Committee and to make known their views on any matter under consideration by the Audit Committee, or which in their opinion, should be brought to the Audit Committee's attention. Non-member Directors and employees of the Group shall not attend unless specifically invited by the Audit Committee.
4. The Chairman of the Audit Committee should engage with senior management and the external auditors on a continuous basis in order to be the kept informed of the matters affecting the Group.
5. The Company Secretary shall record, prepare and circulate the minutes of the meetings of the Audit Committee and ensure that the minutes are properly kept and produced for inspection if required.
6. The Audit Committee shall report to the Board and its minutes will be tabled to and noted by the Board.

#### **E. INTERNAL AUDIT FUNCTION**

1. The Internal Auditor shall have direct access to the Chairman of the Audit Committee and shall report directly to the Audit Committee on all matters of control and audit. All proposals by management regarding the appointment, transfer and removal of Internal Audit shall require prior approval of the Audit Committee. Any inappropriate restrictions on audit scope are to be reported to the Audit Committee.

## **THE REMUNERATION COMMITTEE**

### **A. COMPOSITION**

1. The Remuneration Committee shall comprise wholly or mainly of Non-Executive Directors.
2. The Remuneration Committee shall comprise the Chairman of the Remuneration Committee, the Managing Director of the Company and Non-Executive Directors.
3. The Chairman of the Remuneration Committee shall be an Independent Non-Executive Director appointed from among the Board of Directors of the Company.
4. The Company Secretary shall be the secretary of the Remuneration Committee.

### **B. AUTHORITY**

1. The Remuneration Committee is authorised by the Board to act as follows:
  - (a) To recommend to the Board the Company's policy framework on the terms of employment of the Executive Directors and members of the Leadership Team;
  - (b) To recommend to the Board on all elements of remuneration and compensation payments of the Executive Directors and members of the Leadership Team;
  - (c) To review and approve the annual bonus and salary increment of the Executive Directors and members of the Leadership Team;
  - (d) To review and recommend to the Board the remuneration of the Non-Executive Directors; and
  - (e) To receive and note the minutes of the Executive Compensation Committee meetings from time to time and to update the Board where necessary.

### **C. MEETINGS AND MINUTES**

1. The Remuneration Committee shall meet at least once in each year or otherwise as it decides.
2. A quorum shall be two (2) members present.

A resolution in writing signed and approved by letter, telegram, telex, or other electronic means by a majority of the members of Remuneration Committee of the Directors who may at the time be present in Malaysia and who are sufficient to form a quorum shall be as valid and effective as if it had been passed at a meeting of the Remuneration Committee duly convened and held and may consist of several documents in the like form each signed by one (1) or more Directors or their alternate.

3. Executive Directors and Non-Executive Directors shall abstain from the deliberations and voting decisions in respect of their respective remuneration either at the Remuneration Committee or Board level as the case maybe.
4. The Remuneration Committee shall be entitled to call for advice internally from the Human Resources Department or from external sources, when necessary.
5. The Company Secretary shall record, prepare and circulate the minutes of the meetings of the Remuneration Committee and ensure that the minutes are properly kept and produced for inspection if required.
6. The Remuneration Committee shall report to the Board and the minutes of the Remuneration Committee Meeting will be tabled to and noted by the Board.

## **THE NOMINATION COMMITTEE**

### **A. COMPOSITION**

1. The Nomination Committee shall comprise exclusively of Non-Executive Directors, a majority of whom are independent.
2. The Chairman of the Company shall be the Chairman of the Nomination Committee provided that the Chairman is a Non-Executive Director.
3. The Company Secretary shall be the secretary of the Nomination Committee.

### **B. AUTHORITY**

1. The Nomination Committee is authorised by the Board to act as follows:
  - (a) To make proposals to the Board on suitable candidates for appointment as Directors;
  - (b) To ensure that the Board has an appropriate balance of skills, knowledge, expertise, experience, professionalism, integrity, attributes and core competencies from its members;
  - (c) To regularly review profiles of the required skills, knowledge, expertise, experience, professionalism, integrity, attributes and core competencies for membership of the Board;
  - (d) To review succession plans for members of the Board;
  - (e) To recommend to the Board, Directors to fill the seats on Board Committees;
  - (f) To assess annually the effectiveness of the Board, the Committees of the Board and the contribution of each individual Director;
  - (g) To assist the Board to assess the independence of all the independent directors annually; and
  - (h) To implement a process and carry out annually an assessment on the effectiveness of the Board as a whole, its Committees of the Board and the contribution of each individual Director.

### **C. MEETINGS AND MINUTES**

1. The Nomination Committee shall meet at least once a year or upon the request of any of its members.
2. A majority of the members in attendance must be Independent Directors in order to form a quorum for the meeting.
3. The Company Secretary shall record, prepare and circulate the minutes of the meetings of the Nomination Committee and ensure that the minutes are properly kept and produced for inspection if required.

4. The Nomination Committee shall report to the Board and its minutes will be tabled to and noted by the Board.

## **THE EXECUTIVE COMPENSATION COMMITTEE**

### **A. COMPOSITION**

The Executive Compensation Committee (ECC) shall comprise the following:

1. Managing Director of the Company;
2. Finance Director of the Company; and
3. Human Resources Director of the company.

The Chairman of the ECC shall be the Managing Director of the Company.

The Company Secretary of the Company shall act as the Secretary to the ECC.

The following may be invited to attend ECC meetings as and when necessary:

1. British American Tobacco p.l.c's Asia Pacific Regional Head of Human Resources;
2. British American Tobacco p.l.c's Asia Pacific Regional Head of Rewards; and
3. Leadership Team members of the Company.

### **B. TERMS OF REFERENCE**

The ECC is authorised to perform, with respect to all employees (except members of the Leadership Team) of the Group the following functions:

- (a) to review and approve all elements of remuneration, compensation payments, bonuses, rewards and benefits which include inter alia the elements set out below, save and except that in the case of salaries of employees in the Group (except members of the Leadership Team), the relevant Head of Function shall with the Human Resources Director review and approve the salaries of employees of that relevant function:
  - (1) to ensure that the Group remuneration systems offer the opportunity of excellent reward for excellent performance;
  - (2) to examine reward packages as a whole, seeking overall competitiveness rather than item-by-item comparability based on the market and affordability;
  - (3) to review the individual components of the total reward package to determine, via employees and market trends, the benefit value of each element and adjust the package to achieve the greatest perceived value for cost;
  - (4) to establish an appropriate comparator market in terms of the types of organisations which would be direct competitors for the calibre of employees required and against which the Group in practice has to recruit within the business environment;

- (5) to ensure that arrangements are made for regular surveys of remuneration and benefits, with a sufficient sample of comparator companies to obtain a reliable measure of the market. This may be through participation in surveys of other companies or the commissioning of a survey through suitable local consultants;
  - (6) to ensure that the remuneration package is at all times fully in compliance with local taxation and legal requirements, whilst at the same time maximising legitimate commercial advantage.
- (b) to review and approve the mandate for collective agreement. The ECC will be required to give prior approval to collective pay/benefit awards for unionised employees. The ECC will empower the Managing Director to negotiate pay/benefit settlements with recognised trade unions or employees' association within predetermined limits, agreements being notified to ECC members on completion of negotiations. If deemed fit, the Managing Director may empower the Human Resources Director to perform the said negotiations. When pay/benefits are determined by legislation or the Group is part of an Employers' Association, the likely awards, and confirmation of awards including the costs of translating such awards to Group level pay and benefits, will be notified to the ECC;
  - (c) to review, approve and amend as the case maybe, the design and terms of Company's executive shares schemes, if any;
  - (d) to review and approve voluntary separation schemes; and
  - (e) to note job upgrades of Grades 36, 37 and 38 subject to the following:
    - (1) for job upgrades in a relevant function up to and inclusive of Grade 35, that the relevant Head of Function shall approve such job upgrades.
    - (2) for job upgrades to Grade 36 in a relevant function, that the relevant Head of Function shall, together with the Human Resources Director approve such job upgrades but in the case where the relevant job upgrade to Grade 36 is in the Human Resources function, then the Human Resources Director shall approve such upgrade together with any other Head of Function or the Managing Director.
    - (3) for job upgrades to Grade 37 and 38 in a relevant function (except members of the Leadership Team), that the relevant Head of Function shall together with the Human Resources Director and Managing Director approve such job upgrades.
    - (4) In the event that there is no agreement between the relevant Head of Function and the Human Resources Director on any matter which is within the right of both to approve, the matter shall be decided by the Managing Director.

## **C. MEETINGS AND MINUTES**

The ECC shall meet at least twice a year or more frequently, if necessary.

The quorum for the ECC shall be at least two members of which one member present must be the Chairman.

The Secretary shall record and circulate the minutes of the meeting.

The ECC shall report to the Remuneration Committee and the minutes of the ECC is tabled to the Remuneration Committee which the Board is then updated on.

## **CHAIRMAN OF THE COMPANY**

1. The Chairman of the Company (“the Chairman”) shall be primarily responsible for the efficient and effective functioning of the Board.
2. The Chairman’s specific duties and responsibilities shall be as follows:
  - (a) To preside at meetings of shareholders and the Board and as the case maybe, the Committees constituted by the Board;
  - (b) To review in consultation with the Managing Director and the Company Secretary, the agenda for the Board meetings;
  - (c) To recommend to the Nomination Committee for its consideration candidates for appointment to the Board;
  - (d) In conjunction with the Managing Director, to recommend to the Board the fees payable to Non-Executive Directors;
  - (e) To ensure that all Directors are kept properly briefed and that they receive the support and information they need in a timely manner to enable them to fulfil their functions efficiently and effectively;
  - (f) To ensure that, at all times, the Board is constituted in accordance with and acts in compliance with, inter alia, the Listing Requirements of Bursa Malaysia, the Malaysian Code on Corporate Governance, the Companies Act 2016, and all other statutory requirements;
  - (g) To establish and maintain relationships with the stakeholders of the Company including government institutions, shareholders and potential shareholders and major external bodies; and
  - (h) To undertake such representational responsibilities as may be appropriate.

## MANAGING DIRECTOR OF THE COMPANY

1. The Managing Director is responsible for the operation and development of the Group in accordance with the objectives and strategies established by the Board. He is also responsible for stewardship of all the Group's assets and jointly with the Chairman, representation of the Group externally.
2. The Managing Director is accountable to the Board or to the Chairman of the Company as appropriate, for the discharge of the following specific duties and responsibilities:
  - (a) To prepare plans and programmes for the attainment of approved objectives and to recommend such plans and programmes to the Chairman of the Company and, as appropriate, to the Board;
  - (b) To develop, obtain approval of and ensure compliance with Group's policies governing the manner in which business will be conducted;
  - (c) To lead the direction of the Group, with particular emphasis on:
    - corporate and business strategy;
    - financial strategy;
    - corporate culture and corporate management structure;
    - standards of business conduct; and
    - establishment of controls and regulations necessary to protect the rights and interests of shareholders and creditors of the Company;
  - (d) To ensure a clear business and financial strategy for the Group is formulated for consideration by the Board;
  - (e) To determine for the Board's consideration delegated authorities and limits for the following:
    - capital expenditure;
    - acquisition and disposal of assets; and
    - borrowings and other plans to finance the activities of the Group;
  - (f) To create conditions within the Group for the efficient operation by the responsible managers of all departments;
  - (g) To ensure that adequate organisation plans, procedures and controls are made for the proper execution of functional Directors' duties and attainment of targets;
  - (h) To provide leadership in and report progress upon the Group's commitment to high business standards generally (including standards of environmental care, safety at work and community affairs);
  - (i) To ensure that proper procedures are put in place for career development;
  - (j) To take timely action to rectify prospective failure to meet previously agreed operating objectives and targets;

- (k) To keep the Chairman of the Company informed on all matters of importance relating to the Group;
- (l) To facilitate the discharge by the Chairman of the Company of his duties and responsibilities;
- (m) To preside at meetings of the Board in the absence of the Chairman of the Company;
- (n) To preside at Top Team meetings;
- (o) In consultation with the Chairman of the Company, to recommend to the Board the fees payable to Non-Executive Directors;
- (p) To respond to requests for information from Non-Executive Directors of the Company; and
- (q) In conjunction with the Chairman of the Company, to establish and maintain relationships with the stakeholders of the Company including government institutions, shareholders and potential shareholders and major external bodies.

## **COMPANY SECRETARY**

1. The Directors shall appoint as Company Secretary such person who is capable of carrying out the duties to which the post entails and his/her removal shall be a matter for the Board.
2. The Company Secretary's specific duties and responsibilities shall be as follows:
  - (a) To provide strong and positive support to the Chairman of the Company so as to ensure the effective functioning of the Board;
  - (b) To provide guidance to the Board on their responsibilities under the relevant laws and other statutory requirements to which they are subject and how those responsibilities should be discharged;
  - (c) To advise the Chairman of the Company and the Board on the implementation of the Malaysian Code on Corporate Governance;
  - (d) To ensure that the Group complies with all relevant laws and other requirements;
  - (e) To ensure that that procedures of the Board including with respect to Board meetings and minutes are followed regularly and reviewed;
  - (f) To attend all meetings of the Board and act as the recording secretary for all meetings of the Board and Committees established by the Board; and
  - (g) To carry out any other duties and responsibilities as maybe instructed by the Board.

## INVESTOR RELATIONS

It is important for the Board to maintain an active and constructive communication policy that enables the Board and management to communicate effectively with its shareholders, stakeholders and the public generally.

This will take several forms:

- disclosures in annual and quarterly reports;
- announcements;
- circulars to shareholders;
- general communications to the market and the news media;
- general meetings;
- meetings or discussions with investors, analysts and fund managers;
- road-shows; and
- company briefings.

### **A. INVESTOR COMMUNICATIONS DURING ANNUAL AND QUARTERLY REPORTS**

1. The Managing Director and Finance Director hold discussions with analysts and major shareholders in the evening of the same day following each quarter's announcement of results to the Bursa Malaysia. Presentations are made as appropriate to explain the Group's strategy, performance and major developments. However, any information that may be regarded as undisclosed material information about the Group will not be given to any single shareholder or shareholder's group.
2. A press release based on the quarterly report will be issued in the evening after close of business.

### **B. ANALYSTS AND FUND MANAGERS**

1. Meetings are held to provide clarification on the Company's position and trading.
2. Any undisclosed information or competitively sensitive details is not disclosed.
3. The Managing Director and Finance Director are the only authorised persons to meet analysts and fund managers. No meetings will be allowed thirty (30) days prior to the announcement of quarterly or yearly results.

### **C. ROAD-SHOWS**

1. Road shows are a time-effective means of meeting current and prospective shareholders. The invitations are made by brokers on behalf of their clients. No broker will be favoured over others.
2. Attendance at road-shows will be scheduled after the first and third quarter results.
3. This would normally involve visits to Singapore and Hong Kong once each year. Additional visits within the region or to Europe and USA will be decided on a case by case basis by the Managing Director.

4. The Company also holds company briefings for investors at forums organised by the Bursa Malaysia.
5. Participation at conferences will be approved by the Managing Director.

## **CORPORATE SOCIAL RESPONSIBILITY (CSR) COMMITTEE**

### **A. ESTABLISHMENT**

In line with BAT Group's policy and the growing emphasis on Corporate Social Responsibility (CSR), British American Tobacco Malaysia establishes a CSR Committee to review the Company's management of CSR which includes the monitoring of alignment with the Statement of Business Principles adopted by the Company.

### **B. COMPOSITION**

The CSR Committee shall comprise members of the Top Team.

The Chairman of the CSR Committee shall be the Managing Director.

The Corporate Affair Manager shall be the secretary of the CSR Committee.

The CSR Committee will report to the Board via the Audit Committee and to the Regional CSR Committee.

### **C. TERMS OF REFERENCE**

The terms of reference of the CSR Committee are set out below:

#### **(i) Purpose**

The CSR Committee will review the Company's management of CSR and this includes the monitoring of alignment with the Statement of Business Principle. Monitoring of compliance with the Standards of Business Conduct shall remain the purview of the Audit Committee.

The CSR Committee will seek focus on the Company's social and environmental performance whereby social and environmental risks and issues or weaknesses of significance are to be identified and appropriate and timely action is being taken to address any of the same. The CSR Committee must also serve as a forum which demonstrates that the principles of CSR are effectively embedded throughout the Company.

#### **(ii) Authority**

The CSR Committee is authorised by the Board of Directors to review activities within the Company, which fall within the ambit of the Company's management of CSR. It is also authorised to seek the information it requires from management in order to fulfil this purpose.

The Managing Director will be the relevant catalyst as his knowledge will ensure that the CSR Committee has access to all relevant and pertinent information.

The CSR Committee in performing its functions is also authorised by the Board of Directors to secure external independent professional advice and the attendance of third parties with relevant experience and expertise, as well as parties from within the Company, if it considers this necessary.

The CORA Director will report significant CSR performance issues and risks to the CSR Committee and provide the CSR Committee at each regular meeting with status reports.

The CSR Committee will meet at least twice annually.

(iii) Objectives

Specific areas of concentration are to ensure there is due process for:

- Identification and management of key social and environmental issues;
- Identification of and engagement with key stakeholders;
- Monitoring efficiency and effectiveness of CSR management systems and controls;
- Ensuring the reliability of social and environmental performance management information;
- Monitoring alignment with the Company's Statement of business principles;

Detailed objectives are as follows:

- To review that the Company has implemented procedures in relation social and environmental issues, and that these are instituted and carried out by management;
- To review reports from BAT Regional CSR Committee which may have an impact on the Company or regional or global implications;
- to reports matters of significant to the Board of Directors, through progress updates to the Audit Committee, at least once year;
- to evaluates the performance of external third parties engaged for the CSR activities/projects;
- to review and approve the Company's Social report before its publication.

(iii) Relationship with Internal Audit

Representative from the Internal Audit may be invited to attend the CSR Committee meetings and be heard on any CSR matter which affects the Company. Internal Audit shall also have direct access to the Chairman of the CSR Committee on all CSR matters.

## **Appendix 1**

<b>Date of revision</b>	<b>Amendment</b>
27 April 2005	The Remuneration Committee recommended the change to the Executive Compensation Committee terms of reference to cover all employees of the Company except G38 and above and the Board of Directors had approved the recommendation on 27 April 2005.
24 June 2005	The Board approved Remuneration Committee terms of reference to extend the scope of authority of the Committee to cover Executive Directors, members of the Top Team and employees of Grade 38 and above.
20 March 2006	Amendment to composition of Remuneration Committee where the Human Resource Director, who is not a member of the Board not to be a member of the Remuneration Committee.
15 February 2007	Amendment for Chairman of the Audit Committee to be an Independent Non-Executive Director.
22 April 2008	<p>Key amendments are as follows:</p> <ul style="list-style-type: none"> <li>(a) the need for continuous Directors training;</li> <li>(b) proper record not only decisions made but also all the issues discussed in arriving at the decisions;</li> <li>(c) composition of Audit Committee, requiring all audit committee members to be Non-Executive Directors;</li> <li>(d) eligibility criteria for appointment as an audit committee member requiring all members to be able to read, analyse and interpret financial statements;</li> <li>(e) setting out the rights of audit committee to convene meetings with external auditors, internal auditors or both, excluding the attendance of other Directors and employees of the Company;</li> <li>(f) expanding the functions of audit committee to include the review of the adequacy of the competency of the internal audit function;</li> <li>(g) greater emphasis on continuous engagement between the Chairman of the Audit Committee and the senior management of the Company and external auditors;</li> <li>(h) increase the frequency of meetings between Audit Committee and the external auditors to at least twice a year;</li> <li>(i) recognises the importance of the internal audit function;</li> <li>(j) eligibility criteria for appointment of Directors requiring the Board has an appropriate balance of skills, knowledge, expertise, experience, professionalism, integrity, attributes and core competencies from its members;</li> <li>(k) places importance on the process carried out by the Nomination Committee in evaluating members of the Board; and</li> <li>(l) the Nomination Committee should also ensure that its assessments and evaluations are properly documented.</li> </ul>

<b>Date of revision</b>	<b>Amendment</b>
17 July 2008	The Board approved Executive Compensation Committee's Terms of Reference to extend the scope of authority of the Committee i.e. to review and approve all other elements of remuneration, rewards and benefits for all employees (except members of the Top Team).
17 July 2008	The Board approved Remuneration Committee's Terms of Reference to clarify the scope of authority of the Committee to cover executive Directors and members of the Top Team.
23 April 2009	The Board approved Executive Compensation Committee's Terms of Reference to extend the scope of authority of the Executive Compensation Committee and to clarify the responsibilities of the Head of Function together with the Human Resources Director and Managing Director.
22 April 2010	The Board approved the revision to the composition of the Executive Compensation Committee ("ECC") and revised the Terms of Reference of the ECC.
21 April 2011	The Board approved the declaration and payment of four (4) interim dividends per financial year.
26 February 2013	The Board approved the revised Terms of Reference of the Audit Committee to be in line with disclosures in the annual report 2012.
16 February 2015	The Board approved the revised Terms of Reference of the ECC.
11 March 2015	The Board approved the revised Terms of Reference of the Remuneration Committee.
17 February 2016	The Board approved the revised Terms of Reference of the Nomination Committee.
20 July 2017	The Board approved the revised Terms of Reference of the Remuneration Committee.
13 February 2018	The Board approved the revised Terms of Reference of the Audit Committee.