



**BRITISH AMERICAN
TOBACCO**
MALAYSIA

Standards of Business Conduct

MESSAGE FROM THE MANAGING DIRECTOR

At British American Tobacco Malaysia, we believe that behaving responsibly empowers our business and as such, we are fully committed to working with high standards of integrity.

To ensure these principles are embedded in our daily business lives and our own behaviours at work, we have the Standards of Business Conduct which act as a guide for the high standards we set for our commitment to our shareholders, consumers and each other.

The Standards of Business Conduct are part of the Sustainability pillar in our corporate strategy, the BAT Way, which calls for each BAT Malaysia's employee to take personal responsibility for maintaining rigorous ethical standards. They reflect our assurances not just in upholding these principles out of a legal obligation but because it is the right thing to do. The nature of the Standards of Business Conduct is not meant to cover every situation that may occur but instead is to provide us with a yardstick against which to measure our conduct.

The Standards of Business Conduct must remain our way of working and I trust that everyone will familiarise themselves with it and to never shy away from seeking advice or clarity on it. It is as they say, our reputation starts and ends with each and every employee in BAT Malaysia.

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Introduction

British American Tobacco (Malaysia) Berhad ("BATM or Company") and its subsidiary companies (collectively the "BATM Group") and the BATM Group's employees shall comply with all the standards of business conduct as set out below ("Standards").

These Standards set out the rules and policies that everyone working for the BATM Group must follow, while also providing support and guidance to assist employees to ensure that their conduct meets the high standards expected of them.

Commitment to integrity

It is a fundamental policy of the BATM Group that all Group companies and all employees must:

- observe and comply with the laws and regulations applicable to them; and
- act with high standards of business integrity.

You must always act in accordance with the law. But your obligation to act with high standards of business integrity goes beyond strict legal compliance. It means:

- behaving responsibly;
- conducting business in a manner which is honest, sincere, and trustworthy;
- acting in accordance with accepted standards of behaviour; and
- always choosing what you truly believe to be the right course of action.

A legacy of leaders

Creating a legacy of leaders is one of the 'Must Dos' in our strategy. When we manage others we must lead by example, showing by our own behaviour what it means to act with integrity and in line with behaviours expected under the Standards.

Managers must know, understand and follow the Standards consistently, and satisfy themselves that everyone in their team also does so. Managers are to listen to and support team members who raise concerns about wrongdoing or need guidance on the right thing to do or way to behave.

Our own ethical judgment

The following sections set out the BATM Group policy and provide guidance on a number of specific areas relevant to the conduct of the BATM Group's business.

These Standards are, however, by no means exhaustive. All employees should make sure that they are familiar with, and that they adhere to:

- all other applicable policies, principles, standards; rules and procedures; and
- all laws and regulations applicable to them and their area of work.

Although these Standards cannot cover every situation which you might encounter in your work, they do provide a sound basis for identifying the principles which should always govern your conduct. You should supplement these Standards with your own common sense and judgement, making sure that you follow their spirit as well as their content.

It is recognised that there will not always be a clear answer. In cases of doubt, or whenever any question arises as to the proper course of action, you should ask yourself the following questions:

- Am I comfortable with what I propose doing?
- Would I be comfortable explaining my conduct to the board of my company, my family or friends or the media?
- Who does my conduct affect and would it be considered fair by those affected?

If the issue cannot be resolved in this way, then you should discuss the situation with your colleagues and, if necessary, seek guidance from your manager (or the next level of management) or from your Legal Counsel.

All employees of Group companies are expected to know, understand and follow these Standards.

These Standards apply to all directors, officers and permanent employees of BATM Group companies, but also to secondees, trainees, those on work experience and other temporary staff. If you are responsible for engaging

and/or supervising individuals in such roles, you should ensure that they are familiar with the Standards and their obligations under them.

Contractors, agents and consultants engaged on behalf of any BATM Group company are expected to apply standards of business conduct consistent with the Standards.---

Employees should report any breaches or inconsistent behaviour by any such third party.

If you are responsible for engaging and/or supervising contractors, agents or consultants on behalf of any BATM Group company, then you should seek their cooperation in adhering to the Standards – including, wherever possible, a contractual commitment to act consistently with the Standards when working on the BATM Group’s behalf.

Procedures may require specific steps to be taken, including, where appropriate, due diligence checks and the inclusion of specific contractual terms, in relation to certain types of contractors, agents and consultants.

Those who supervise others have additional responsibilities under the Standards. They must:

- make sure that those reporting to them know and understand the Standards;
- monitor the conduct of those they supervise to satisfy themselves that it meets the Standards;
- enforce the Standards consistently; and
- support employees who, in good faith, raise questions about business conduct or concerns of wrongdoing.

If you supervise others, you should make every effort to promote compliance and high standards of business conduct by example. You should show by your own behaviour what it means to act with integrity.

In addition, you should make sure that those reporting to you have sufficient support and resources to enable them to adhere to the Standards. You should always be willing to take the time to listen to and guide those who come to you with questions or concerns arising under the Standards.

Compliance with these Standards is monitored regularly by the Board of Directors and Audit Committee of BATM. The Legal Department/Company Secretary of BATM (“Legal Department”) is charged with the responsibility of reporting to the Board on an annual basis the compliance of these Standards by the BATM Group and its employees.

No manager has the authority to order or approve any action that is contrary to the Standards, or to any applicable law or regulation, and the Standards must not under any circumstances be compromised for the sake of results.

Employees have a duty to report incidences of non-compliance with the Standards and any other incidences of wrongdoing at work.

If you are instructed by your manager or supervisor to do something which involves, or appears to involve, an illegal activity or a breach of the Standards, you should immediately bring the matter to the attention of senior management or your Legal Counsel, or a ‘Designated Officer’ under the Whistleblowing Policy or your local whistleblowing procedure.

The Standards absolutely prohibit retaliation against employees who in good faith report information or raise questions about possible violations of the law or the Standards.

Consequences for breach

Disciplinary action will be taken for violations of law or the Standards, as appropriate, including termination of employment.

Violations of the Standards, or of any laws or regulations governing our operations, may have severe consequences for the individuals concerned and for the BATM Group. Any failure to follow the Standards that involves a criminal act could result in prosecution after referral to the relevant authorities.

Annual confirmation

At the end of each year, the Managing Director and each Head of Function is required formally to confirm that the BATM Group or function for which he or she is responsible complies with the Standards.

The Managing and Heads of Function must make every reasonable effort to ensure that their declaration of compliance is accurate and truthful. They should implement their own sign-off process which is sufficiently comprehensive to enable them to satisfy themselves in this regard (save to the extent that any matter is being actively and wrongfully concealed).

Whistleblowing

Any employee who suspects wrongdoing at work is strongly encouraged to raise his or her concern in confidence through the whistleblowing procedure.

We encourage you to speak up

Anyone who raises a genuinely held concern in good faith concerning a matter which he reasonably believes to be true will not suffer any form of reprisal or retribution as a result. This will be the case even where the individual raising the concern is mistaken and there is no case to answer.

Harassment or victimisation, including informal pressure, of anyone raising a genuine concern will not be tolerated, and any such conduct will itself constitute a breach of the Standards and will be treated as a serious disciplinary matter.

While no one who comes forward in good faith has anything to fear, false allegations raised maliciously will be treated as misconduct and dealt with in accordance with the disciplinary procedure applicable in the Company.

Examples of suspected wrongdoing that should be raised in this way include:

- the commission of a criminal offence, including fraud, money laundering or bribery and corruption;
- dealing/trading in, or consumption of illegal cigarettes;
- a failure to comply with any legal obligation or any other unlawful act or omission;
- an act or omission which will, or is likely to, unlawfully endanger the health or safety of an individual or unlawfully damage the environment;
- a breach of human rights;
- accounting malpractice or falsification of documents;
- any other breach of the Standards or any other applicable policy, principle or standard;
- a miscarriage of justice; and
- concealment of any of the above.

This list is not exhaustive. A concern should be raised irrespective of whether the suspected wrongdoing has occurred, is occurring or is likely to occur.

This procedure is not intended for use where you are unhappy with your personal employment position, for example lack of promotion or a smaller than expected wage increase.

Who you can speak to

An individual who is concerned about actual or suspected wrongdoing and who wishes to report the matter formally for investigation shall raise it to the Head of Legal and Secretarial Services. All incidents reported shall be investigated by an investigation team comprising of Senior Managers working closely with the Evaluation Team comprising of the Top Team to ensure that all cases which have been reported or discovered are investigated upon promptly.

Confidentiality

Concerns raised in this way will be investigated fully and the identity of the person raising the concern will be kept confidential.

The outcome of the investigations and the actions taken by the Company will be reported to the Audit Committee of BATM and further submitted to the Regional Audit Committee for the British American Tobacco p.l.c's Main Board Audit Committee.

While concerns may be raised anonymously, you are strongly encouraged to report matters in confidence rather than anonymously. A full investigation of your concern may not be possible without your cooperation, and proper feedback cannot be provided to those who remain anonymous.

Conflicts of Interest

A conflict of interest will arise in any situation where your position or responsibilities within the BATM Group present an opportunity for you or any close relative to obtain a personal gain or benefit (apart from the normal rewards of employment), or where there is scope for you to prefer your personal interests, or those of any close relative, above your duties and responsibilities to the Group.

Acting in the best interests of the BATM Group

Employees must avoid situations where their personal interests might, or might appear to, be in conflict with the interests of the BATM Group or any BATM Group company.

A situation will give rise to the appearance of a conflict of interest where it provides the opportunity for personal benefit, regardless of whether the benefit is in fact obtained.

Disclosing conflicts of interests

The guiding principle is that an employee must disclose to higher management any actual or potential conflict of interest.

Any situation which gives rise, or might give rise to a conflict of interest should be disclosed as soon as it arises and, where required, written authority to proceed should be sought.

Actual and potential conflicts of interest must also be disclosed each year during the year end formal confirmation of compliance with the Standards.

You should, in the first instance, disclose conflicts and potential conflicts to your line manager. If the line manager has any doubt about whether the situation is permissible or not, then he should seek guidance from higher management and/or the Legal Department.

Additionally, in the case of any director of the Group, disclosure should be made to, and approval sought from, the Board of Directors of the Company at its next meeting, and the decision shall be recorded in the minutes.

A potential conflict of interest will arise where an employee is in a situation which could develop into an actual conflict of interest, for example if he were to change role within the BATM Group.

Potential conflicts must be disclosed in order that management may continue to monitor the situation to ensure that no actual conflict develops.

Recording conflicts of interests

The details of all actual or potential conflicts of interest disclosed and the action taken in respect of them shall be recorded in a 'conflicts log' maintained by the Head of Legal and Secretarial Services.

Accordingly, managers should ensure that any actual or potential conflicts of interest disclosed to them are notified to the person responsible for maintaining the relevant conflicts log.

It is not possible to list all situations or relationships which may give rise to a conflict of interest, or the appearance of one, so each situation must be evaluated on its individual facts. However, examples of situations where conflicts of interest may arise, and the principles which should be applied, are given below.

Corporate opportunity

Employees may not exploit knowledge or information gained from employment within the BATM Group or take advantage of a corporate opportunity in order to obtain a personal gain or benefit for themselves or for any close relative, without first disclosing their intention to do so and obtaining written approval.

A corporate opportunity means any business opportunity which properly belongs to the BATM Group or any BATM Group company.

Outside employment

Employees may not work for or on behalf of any third party organisation without obtaining authority to do so. Some arrangements of this kind are never permissible, for example where they involve:

- a competitor of any BATM Group company; or

Working for or on behalf of a third party organisation includes taking on a second job, serving as a director or consultant, or otherwise performing services for any organisation outside the BATM Group, including any charitable or other not-for-profit organisation.

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- any customer or supplier with whom you deal as part of your role within the BATM Group.

For any other relationship of this kind, you must first disclose it and obtain written approval.

This does not apply to any unpaid voluntary work which you may undertake in your own time, provided that it does not interfere with your duties and responsibilities to the BATM Group.

Financial interests

Employees must disclose any material financial interest in any competitor, supplier, customer or other business with which the BATM Group or any BATM Group company has significant business dealings.

Employees may not hold any material financial interest in a supplier, customer or other external business if they have any involvement in the BATM Group's dealings with that business or supervise anyone with such involvement.

Save as may be expressly permitted in writing, no employee may hold a material financial interest in any business the activities of which are:

- in direct competition with the BATM Group or any BATM Group company; or
- otherwise against the interests of the BATM Group or any BATM Group company.

A 'material financial interest' means any financial interest which might influence, or appear to influence, your judgment. It does not include publicly traded mutual funds, index funds and similar pooled investments, where the individual investor has no say in which investments are included.

You may be permitted to retain a financial interest in a competitor, provided that:

- the interest was owned prior to your employment in the BATM Group;
- the matter was disclosed in writing to your employing company prior to your appointment; and
- the employing company has not objected.

The prior ownership of any such interest by any director of a BATM Group company must be reported to the Board of Directors and noted in its next board meeting's minutes.

Family or personal relationships

The activities of employees' close relatives can sometimes create conflicts of interest.

Employees should disclose any situation where a close relative works or performs services for, or has a material financial interest in, any competitor, supplier, customer or other business with which the BATM Group or any BATM Group company has significant business dealings.

No employee should have any business involvement with a close relative or with any business for which a close relative works or in which a close relative holds a material financial interest.

No employee should ever be in a situation where they have the ability to hire, supervise, affect terms and conditions of employment, or influence the management of any close relative.

A 'close relative' is someone with whom you have a close family or personal relationship such that it could give rise to a conflict of interest in the situations described. It includes any spouse, partner, parent, step-parent, child, step-child, sibling, step-sibling, nephew, niece, aunt, uncle, grandparent, grandchild (and any such relationships arising by marriage).

Intimate relationships between employees in a direct or indirect reporting line can also lead to a conflict of interest, or the appearance of one. If you are in such a situation, you should discuss the matter with your line manager. If you work within the same BATM Group company or business unit as a close relative, you should disclose the relationship to your line manager.

Where there is a reporting relationship, direct or indirect, between two close relatives working in the same BATM Group company or business unit, management should take steps to ensure that neither has any managerial influence over the other.

In any case where two close relatives work within the same BATM Group company or business unit, the position should be kept under review by management in order to ensure that there is no possibility of unfairness or undue influence arising in the course of either employee's work.

These principles apply equally to conflict of interests involving intimate relationships between employees.

Section 131 of the Malaysian Companies Act, 1965 ("CA")

- (a) Employees who are also directors of a Group company should be aware of the statutory requirement under Section 131 of the Malaysian Companies Act 1965 ("CA") to disclose their interest, direct or indirect in a contract or proposed contract with the Group.
- (b) The penalty for contravention of Section 131 of the CA is imprisonment for 7 years and/or a fine not exceeding RM150,000.00.
- (c) Further, Section 131A of the CA provides that employees who are directors of a Group company and interested in a contract or proposed contract should not participate in any discussion while the contract or the proposed contract

is being considered at the board meeting and shall not vote on the contract or the proposed contract, subject to certain limited exceptions.

- (d) The penalty for contravention of Section 131A of the CA is imprisonment for 5 years and/or a fine not exceeding RM150,000.00.

Articles of Association

The requirement of declaration of directors' interest is also to be found in the Articles of Association of the Company.

Section 132E of CA

- (a) With respect to transactions on shares or other property involving directors (which for the purpose of Section 132E includes a chief executive officer, chief operating officer, chief financial controller or any other person primarily responsible for the operations or financial management of a company, by whatever name called) and persons connected with directors, employees who are also directors should be aware of the need for shareholders' approval for such substantial property transactions involving directors or persons connected with directors falling under Section 132E of the CA.
- (b) The penalty for contravention of Section 132E of the CA is imprisonment for 7 years and/or a fine not exceeding RM250,000.00.

Listing requirements of Bursa Malaysia ("Listing Requirements")

In addition, a transaction which involves the interests, direct and indirect of a related party must be announced or need shareholders' approval under the Listing Requirements as the case maybe. A related party means a director, major shareholder or person connected with such director or major shareholder.

Bribery and Corruption

Corruption causes distortion in markets and harms economic, social and political development, particularly in developing countries. It is wholly unacceptable for the BATM Group companies and its employees to be involved or implicated in any way in corrupt practices.

No bribery

The BATM Group and its employees must ensure that:

- they do not, directly or indirectly, offer, promise or give any gift, payment or other benefit to any person for the purposes of inducing or rewarding improper conduct or influencing any decision by a public official to the advantage of the BATM Group or any BATM Group company;
- they do not, directly or indirectly, solicit, accept or receive any gift, payment or other advantage from any person as a reward or inducement for improper conduct; and
- their activities do not otherwise contravene any applicable anti-corruption measures.

'Improper conduct' involves the performance (or non-performance) of any public function or business activity in breach of an expectation that it will be carried out in good faith, impartially or consistently with any duty of trust.

No facilitation payments

The BATM Group and its employees are prohibited from making facilitation payments (directly or indirectly), save in exceptional circumstances where necessary to protect the health, safety or liberty of any employee.

Employees should actively resist making such payments. In exceptional circumstances (such as those identified above) where there is no alternative but to make a payment, employees should, wherever practicable, seek prior legal advice or otherwise notify the Head of Legal and Secretarial Services as possible after the payment is made. Any such payment must be recorded accurately in the BATM Group company's books and records.

The BATM Group and its employees must take steps to ensure that improper payments are not offered or made, or solicited or received, on their behalf by third parties.

Maintaining adequate procedures

The BATM Group has in place controls and measures to prevent bribes being paid by persons performing services for or on their behalf, to include:

- due diligence procedures which are proportionate to the risk involved; and
- where appropriate, and to the extent appropriate, the inclusion of anti-corruption provisions in contracts with third parties.

The BATM Group must provide training and support to ensure that staff are aware of their obligations and to promote compliance with anti-corruption policies and procedures.

Bribery is a common form of corruption. Broadly speaking, a bribe is any gift, payment or other benefit which is offered in order to secure an improper business or other advantage. A bribe need not be paid: it is sufficient that it is solicited or offered.

Virtually all jurisdictions have enacted specific legislation making it a criminal offence to offer or pay a bribe to any public official and many also make it a criminal offence for bribes to be offered to or accepted by employees or agents of private bodies, such as companies. In addition, the anti-bribery laws of many countries have extra-territorial effect, meaning that it is a criminal offence in those countries for their nationals to pay bribes in other countries.

Facilitation payments, sometimes called 'speed' or 'grease' payments, are generally defined as small payments made to secure or speed up the performance by a low-level official of a routine or necessary action to which the person making the payment already has legitimate entitlement.

Facilitation payments are considered to be a form of bribery, and are therefore illegal, in most countries. In addition, the laws of some countries, including the UK, make it a criminal offence for their nationals to make facilitation payments abroad.

The BATM Group can be held liable for the wrongful acts of third parties engaged to act on their behalf. Accordingly, you should always be diligent in selecting contractors, agents and consultants and in monitoring their activity.

The BATM Group's due diligence procedures should be designed to provide sufficient comfort that persons performing services for or on their behalf are reputable and will not pay bribes or otherwise breach any applicable anti-corruption policies in connection with the services that they are providing.

Contractual anti-corruption provisions should be appropriate to the nature of the services provided and the degree of risk involved, and should include suitable termination provisions.

For further advice and assistance, you should contact your Head of Legal and Secretarial Services.

The following are examples of corrupt or potentially corrupt activity which you should never engage in:

- **offering or making an unauthorised payment, or authorising an improper payment (cash or otherwise) to a local or foreign official, or any related person or entity;**
- **attempting to induce a local or foreign official to do something illegal;**
- **'turning a blind eye to' or failing to report any indication of improper payments or other inducements;**
- **offering or receiving any gift, payment or other benefit in relation to obtaining business or awarding contracts;**
- **establishing an unrecorded fund, such as a secret cash account or 'slush' fund, for any purpose;**
- **doing anything to induce or facilitate someone else to breach this Standard or ignore any violation;**
- **permitting an agent or representative engaged on behalf of any Group company to take improper actions.**

If in any doubt, or if more detailed advice is required, please contact your Head of Legal and Secretarial Services.

In Malaysia, the Malaysian Anti-Corruption Commission Act 2009 ("MACC Act") provides as follows:

- (a) It is an offence for anyone under Section 16 of the MACC Act to corruptly solicit or receive or agree to receive for himself or for any other person OR corruptly gives, promises or offers to any person whether for the benefit of that person or of another person, any gratification as an inducement to or reward for , doing or forbearing from doing anything.
- (b) It is also an offence under Section 17 of the MACC Act for any agent, which includes an employee, to corruptly accept any gratification or for any person to corruptly give any gratification to an agent as an inducement or a reward for doing or forbearing to do any act in relation to his principal's affairs or business or to show any favour or disfavour to any person in relation to his principal's affairs or business.
- (c) Section 20 of the MACC Act prohibits the giving or the acceptance of any gratification as an inducement or reward for the withdrawal of a tender.
- (d) Bribery of an officer of any public body in order that the officer will act favourably or unfavourably is an offence under Section 21 of the MACC Act.

The penalty for each of the offences under Sections 16, 17, 20 and 21 of the MACC Act is imprisonment for a term not exceeding twenty years and a fine which is not less than 5 times the sum or value of the gratification or RM10,000.00 whichever is the higher.

Section 137 of the Customs Act 1967 provides that any person who bribes an officer to induce him in any way to neglect his duty or to do or fail to do any act whereby any provisions of any other law relating to imports or to exports may be evaded shall be guilty as an abettor.

The penalty for the offence is imprisonment not exceeding 5 years or to a fine not exceeding RM10,000.00 or both.

Entertainment and Gifts

The exchange of entertainment and gifts with business partners can build goodwill in business relationships and, within limits, is perfectly acceptable. However, some gifts and entertainment can create improper influence (or the appearance of improper influence), and might even be seen as bribes.

Acceptable without prior approval

The BATM Group and its employees must not actively solicit or demand any form of entertainment or gift from any person or organisation outside the BATM Group.

The BATM Group and its employees are permitted to offer or accept business entertainment and gifts without prior approval, provided that the entertainment or gift in question is:

- modest;
- appropriate and consistent with reasonable business practice; and
- permissible under all applicable laws.

The following are examples of entertainment and gifts which are usually acceptable without prior approval:

- Occasional drinks and meals.
- Occasional attendance at sports, theatre and other cultural events.
- Gifts of a token or modest amount.

In determining whether a gift or entertainment is appropriate and consistent with reasonable business practice, you should consider the following factors:

- **Intent:** Is the intent only to build or maintain a business relationship or offer normal courtesy, or is it to influence the recipient's objectivity in making a specific business decision?
- **Materiality:** Is it sufficiently modest and infrequent?
- **Legality:** Is it legal both in your country and the country of the other party?
- **Transparency:** Would you be embarrassed if your manager or colleagues or anyone outside the BATM Group became aware of the entertainment or gift?

Gifts valued at RM1,000 or less (from one source in any one calendar year) are considered to be of a token or modest amount within the private sector (see below with regard to gifts in the public sector context).

What is never acceptable

Some types of entertainment and gifts are never acceptable. These are:

- Any gift or entertainment that is illegal or prohibited by the other party's organisation.
- Gifts or entertainment involving parties engaged in a tender or competitive bidding process.
- Gifts or entertainment which may have, or may be seen as having, a material effect on any business transaction which has been, or which may be, entered into by any BATM Group company.
- Any gift of cash or cash equivalent.
- Anything that is offered as a *quid pro quo* (offered for something in return).
- Any inappropriate entertainment.

Cash equivalent includes gift certificates, loans, shares and share options.

Inappropriate entertainment means anything that is indecent, sexually explicit, does not comply with the BATM Group's commitment to mutual respect or might otherwise adversely affect the reputation of the BATM Group having due regard local circumstances and culture.

Public officials

The BATM Group and its employees must ensure that they do not, through the provision of any gift or hospitality, seek to influence any public official by providing any personal advantage, either to that official or to any other person at his request or with his assent or acquiescence. In this context, gifts to public officials will rarely be appropriate if they are of anything other than nominal value.

For any entertainment or gift that falls into neither category above, employees should seek prior written approval from their line manager, and simultaneously notify it to the Head of Legal and Secretarial Services.

This includes:

- Any gift given to or received from any organisation or individual in the private sector which is valued at more than the applicable local limit (£250 or its Ringgit equivalent from one source in any one calendar year).
- Any business entertainment given to or received from any organisation or individual in the private sector which involves overseas travel and/or overnight accommodation in excess of two nights.
- Any gift or entertainment given to or received from any organisation or individual in the public sector (regardless of nature or value, save where purely nominal).

The Company maintains a record of all gifts and hospitality (whether given or received) notified in accordance with the above requirements.

There are no restrictions on employees accepting entertainment or gifts offered or provided by the BATM Group provided the same is legitimate, appropriate and proportionate.

Your line manager, in consultation with the Head of Legal and Secretarial Services will determine what is to be done with any gift in excess of the applicable value limit which is offered to or received by you.

In general, any such gift should be refused or (if already received) returned. However, where it would be inappropriate to refuse or return the gift (such as where to do so might give serious offence), it may be accepted on the basis that it will become the property of the Company, unless the Company decides otherwise.

You should never avoid your obligation to report or seek approval for any business entertainment or gift by paying personally for it in circumstances where you would otherwise be required to report and/or seek approval for it.

Respect in the Workplace

The BATM Group is dedicated to providing equal opportunities to all employees and to creating an inclusive workforce by promoting employment equality. The BATM Group harnesses diversity to strengthen the business and also respects and celebrates differences and valuing what makes each of us unique.

Promoting equality and diversity

The BATM Group and its employees must treat colleagues as we expect to be treated, and respect their characteristics and opinions.

Race, colour, gender, age, disability, sexual orientation, class, religion, politics, smoking habits, or any other characteristic protected by law should not be allowed to influence judgment when it comes to the recruitment, development, advancement or retirement of any employee, including the Board of Directors.

Preventing harassment and bullying

All aspects of harassment and bullying are completely unacceptable. The BATM Group is committed to removing any such actions or attitudes from the workplace.

Harassment and bullying includes, but is not limited to, any form of sexual, verbal, non-verbal and physical behaviour which is abusive, humiliating or intimidating.

If any employee witnesses or experiences such behaviour, or behaviour that is unacceptable in any other way, this should be reported to the line manager.

Safeguarding employee well-being

The BATM Group places a high value on the well-being of employees and are committed to providing a safe working environment to prevent accidents and injury, and to minimize workplace health risks.

The BATM Group will work continuously to maximise the physical security of employees, ensuring that the policies and standards are understood and that training is provided to ensure that all employees is aware of the health, safety and security issues and requirements relevant to their work.

The exploration and adoption of family friendly policies is encouraged.

Human Rights and Our Operations

The BATM Group is dedicated in always conducting the operations in a way that respects the human rights of its employees, the people working with, and the communities in which the BATM Group operates.

Managing human rights risks

To ensure good behavioural standards, the BATM Group encourages distributors, service providers and suppliers to act consistently with the Standards and the BATM Group's commitment to human rights, and contractually require them to do so wherever feasible.

If any human rights breaches in relation to distributors, service providers or suppliers is identified, but there is no clear commitment to corrective action, persistent inaction, or a lack of improvement, then the working relationship with that party should cease.

No child labour

The BATM Group does not condone or employ child labour and seeks to ensure that the welfare, health and safety of children are paramount at all times.

No one under 18 will be directly employed by the BATM Group in any work assessed as hazardous to their health, safety and well-being. No one under 15 will be directly employed by the BATM Group.

The BATM Group recognises that the development of children, their communities and their country is best served through education.

However, the BATM Group recognizes training or work experience schemes approved by a competent authority as an exception.

No exploitation of labour

The BATM Group does not condone forced, bonded or involuntary labour, or the exploitation or unlawful use of immigrant labour.

Workers should never be required to surrender identity papers or pay deposits as a condition of employment. Where employment law or procedures require use of identity papers, it is to be used strictly in accordance with employment law or procedures.

Freedom of association

The BATM Group respects the freedom of association. Employees have the right to be represented by recognised trades unions, or other bona fide representatives.

Such bona fide representatives should be able to carry out the activities within the framework of law, regulation, prevailing labour relations and practices and agreed company procedures.

Local communities

The BATM Group seeks to identify and understand the unique social, economic and environmental interests of the communities that it operates in.

The BATM Group encourages employees to play an active role both in their local and business communities and seeks to create opportunities for skills development for employees and within communities, and aim to work in harmony with the development objectives and initiatives of the government.

Political Contributions

The BATM Group is permitted to make political contributions, although this is subject to certain restrictions and controls in order to ensure that they are not used to gain improper advantage or to secure undue influence and that they are a proper use of company funds.

Contributing for the right reasons

Subject to the controls set out below, the BATM Group may make contributions to political parties and organisations and to the campaigns for candidates for elective office, provided that such payments:

- are not made to achieve any improper business or other advantage or to influence any decision by a public official to the advantage of the BATM Group; and
- are not intended personally to benefit the recipient or his or her family, friends, associates or acquaintances

It is legitimate to make a political contribution for the purpose of securing an opportunity to contribute to the public debate on issues affecting the BATM Group for example by purchasing tickets to a party political event and so gaining the opportunity to engage with public officials.

On the other hand, it is not permissible for a BATM Group company to make a political contribution in circumstances where the contribution itself is intended to influence the outcome of the debate, for example by influencing a politician to act or vote in a particular way or otherwise assisting to secure a particular decision in favour of the BATM Group.

When approving political donations (see below), the Board of Directors should specifically consider whether the donation complies with these requirements.

Strict authorization requirements

All such contributions should be:

- permissible under all applicable laws;
- authorised in advance by the board of the Group company making the contribution;
- fully documented in the company's books; and
- where required by law, placed on the public record.

Personal political activity

The BATM Group recognises employees' rights to participate as individuals in the political process. However, when doing so, employees must take care to:

- make sure that they do so in their own time and using their own resources;
- minimise any possibility of their views and actions being misconstrued as those of the BATM rather than their own; and
- ensure that such activities do not conflict with their duties and responsibilities to the BATM Group.

When engaging in any personal political activity, you should:

- not use company time, property or equipment; and
- where necessary, make clear that your views and actions are your own, not those of the BATM Group.
- If you plan to seek or accept public office, you should notify your line manager in advance, discuss with him or her whether your official duties might affect your work, and co-operate with him or her to minimise any such impact.

Charitable Contributions

The BATM Group recognises the role of business as a corporate citizen and its support for local community and charitable projects.

Giving for the right reasons

The BATM Group may make charitable contributions and similar types of social investments, provided that these are:

- not made to secure any improper business or other advantage; and
- otherwise permissible under all applicable laws.

The BATM Group will consider any proposal to make a charitable contribution or similar social investment in the context of their overall strategy for corporate social investment.

Verifying reputation and status

The BATM Group should not make any charitable contribution unless they have taken steps to verify the recipient's reputation or status as a charitable organisation.

Sometimes, organisations which are portrayed as charitable can be used as a 'front' to channel funds to those who control them.

Before making any contribution, therefore, a BATM Group company will satisfy itself that the organisation concerned is acting in good faith with charitable objectives, such that the contribution will not be used improperly for the benefit of individuals linked to the charity.

Fully recording what we give

Any charitable contribution or other corporate social investment provided by a Group company must be:

- fully documented in the company's books; and
- where required by law, placed on the public record either by the company or by the recipient.

Accurate Accounting and Record-Keeping

Honest, accurate and objective recording and reporting of information, both financial and non-financial, is essential to:

- the BATM Group's credibility and reputation;
- its ability to meet its legal, tax, audit and regulatory obligations; and
- informing and supporting business decisions and actions by the BATM Group companies

Accurate information and data

All data that the BATM Group and its employees create, whether financial or non-financial must accurately reflect the transactions and events covered.

The BATM Group and its employees must ensure that they follow all applicable laws, external accounting requirements and the BATM Group procedures for reporting financial and other business information.

This applies whether the data is in paper documentation, electronic form or any other medium.

Failure to keep accurate and complete records is not only contrary to the BATM Group policy but may also be illegal. There is never any justification or excuse for falsifying records or misrepresenting facts. Such conduct may constitute fraud and could result in civil or criminal liability.

Records management

The BATM Group must adopt records management policies and procedures which reflect the BATM Group Records Management Policy.

All employees must ensure that they manage their business records in accordance with the applicable records management policy and procedures.

You should ensure that you are familiar with your company's records management policy and procedures. If you require further information or guidance, you should contact your Records Manager.

You should never alter or destroy company records, save in accordance with established records management policies and procedures.

Following accounting standards

Financial data (eg, books, records and accounts) must conform both to generally accepted accounting principles and to the Group's accounting and reporting policies and procedures.

The BATM Group companies' books, records and accounts must be in accordance with Malaysian generally accepted accounting principles.. For BAT plc Group reporting, however, information must be in line with the BAT plc Group's accounting and reporting policies (IFRS) and procedures.

Co-operating with external auditors

The BATM Group and its employees must:

- cooperate fully with the BATM Group's external and internal auditors; and
- make sure that all information held by them which is relevant to the audit of any BATM Group company (relevant audit information) is made available to that company's external auditors.

Your obligation to cooperate fully with the external auditors is subject to legal constraints, for example in the case of legally privileged documents – if in doubt, you should contact the Head of Legal and Secretarial Services. Otherwise, you should respond promptly to any request by the external auditors and allow them full and unrestricted access to relevant staff and documents. Under no circumstances should you provide information to the auditors which you know (or ought reasonably to know) is misleading, incomplete or inaccurate.

Documenting transactions

All transactions and contracts must be:

- properly authorised at all levels; and
- accurately and completely recorded.

All contracts entered into by the BATM Group whether with another BAT plc Group company or a third party, must be evidenced in writing.

If you are responsible for preparing, negotiating or approving any contract on behalf of a BATM Group company, you should make sure that it is approved, signed and recorded in accordance with the relevant contracts approval process. If in doubt, you should contact the Head of Legal and Secretarial Services.

All documents prepared by any BATM Group company in connection with sales of its products, whether export or domestic, must be accurate and complete and give a proper view of the transaction.

All such documents must be retained (together with relevant correspondence) in accordance with the applicable records management policy for possible inspection by tax, customs or other authorities.

Protection of Corporate Assets

Employees are responsible for safeguarding and making appropriate use of the BATM Group assets with which they are entrusted in order to do their jobs and meet the BATM Group's business objectives.

Acting in the BATM Group's best interest

The BATM Group and its employees must take care to ensure that the BATM Group's assets are not damaged, misused, misappropriated or wasted.

Employees should report the abuse or misappropriation of the BATM Group's assets by others. Theft or other fraudulent activity by employees is liable to result in immediate dismissal and prosecution after referral to the appropriate authorities.

The BATM Group's assets include physical and intellectual property, time, proprietary information, corporate opportunity and funds belonging to any BATM Group company, as well as equipment and facilities provided to employees for their individual business use.

You are individually responsible for ensuring that the property that you use or come into contact with as part of your work is not damaged, misused or wasted.

Guarding against theft and misuse of funds

Employees must not use any company equipment or facilities for their personal activities, save in the limited circumstances set out below and subject always to any applicable policy or procedures concerning the use of company equipment which may be in place from time-to-time.

Limited, occasional or incidental personal use is permitted of certain company equipment and systems issued to employees for their individual business use, provided that it is:

- reasonable and does not interfere with the proper performance of their job;
- does not have an adverse impact on the performance of company systems; and
- is not for any illegal or improper purpose.

Reasonable personal use includes occasional short personal telephone calls or the equivalent use of e-mail, and occasional personal use of the internet.

Improper uses include:

- engaging in communications which might be considered derogatory, defamatory, sexist, racist, obscene, vulgar or otherwise offensive;
- improperly disseminating copyrighted or licensed materials or other proprietary information;
- transmitting chain letters, advertisements or solicitations (unless specifically authorised); and
- visiting inappropriate internet sites.

Devoting sufficient time to work

All employees are expected to devote sufficient time to their work to enable them to fulfil their job responsibilities.

Whilst at the workplace, you are expected to be fully engaged in your work and should not undertake personal activities beyond a reasonably modest level which does not interfere with your job responsibilities.

Securing access to assets

The BATM Group and its employees must take care to protect all intellectual property owned within the BATM Group.

Intellectual property includes patents, copyrights, trademarks, design rights and other proprietary information.

The BATM Group and its employees must take care to protect all BATM Group funds, guarding against misuse, fraud or theft. All claims for expenses, vouchers, bills and invoices must be accurate and submitted in a timely manner.

'BATM Group funds' means any cash or cash equivalent belonging to any BATM Group company, including any company money advanced to you and any company credit cards which you may hold.

Employees must protect information which may be used to provide access to the BATM Group's assets.

You should always maintain the security of any information used to access company property and networks, including building access cards, IDs, passwords and pass codes.

The BATM Group and its employees must never knowingly:

- damage, misuse or misappropriate the physical assets of others;
- infringe valid patents, trademarks, copyrights or other intellectual property in violation of the rights of others;

You should always show the same respect to the physical and intellectual assets of third parties that you would expect them to show towards the BATM Group's assets.

or

- perform unauthorised activities which adversely impact the performance of third parties' systems or resources.
-

Confidentiality and Information Security

The BATM Group and its employees must protect and maintain the confidentiality of all commercially sensitive information, trade secrets and other confidential information relating to the BATM Group and its business.

Disclosing confidential information

No employee shall disclose any confidential information relating to any BATM Group company or its business outside the BATM Group without specific authority from higher management to do so.

Where confidential information is to be disclosed to another party, it should be released only:

- to agents or representatives of a BATM Group company who owe a duty of confidentiality to that company and require such information to carry out work on its behalf; or
- under the terms of a written confidentiality agreement or undertaking entered into with the other party.

If confidential information is to be transmitted electronically, then technical and procedural standards should be agreed with the other party.

Where confidential information is required to be disclosed under the terms of an order of any competent judicial, governmental, regulatory or supervisory body, employees should notify the Head of Legal and Secretarial Services and release such information only with the approval of the Head of Legal and Secretarial Services.

Access to confidential information relating to any BATM Group company or its business should only be provided to those employees who require it for the exercise of their functions within the BATM Group.

No employee may retain on his or her personal premises any confidential information relating to any BATM Group company or its business without making adequate arrangements to protect the security of such information.

No employee shall use confidential information relating to any BATM Group company or its business for his or her own pecuniary advantage or for that of a friend or relative (see 'Conflicts of Interest').

Personal data

The BATM Group and its employees must ensure that they comply at all times with all applicable data protection laws.

Access to personal data should be limited to employees who have appropriate authorisation and a clear business need for that data.

Third party information

The BATM Group and its employees must not solicit or wilfully obtain from any person confidential information belonging to another party.

Confidential information is any information or knowledge, the disclosure of which outside the BATM Group might be prejudicial to the interests of any BATM Group company.

Examples include (but are not limited to):

- sales, marketing and other corporate databases;
- pricing and marketing strategies and plans;
- confidential product information and trade secrets;
- research and technical data;
- new product development material;
- business ideas, processes, proposals or strategies;
- unpublished financial data and results;
- company plans;
- personnel data and matters affecting the morale of employees; and
- software purchased or developed by any Group company.

Inside information is a particular kind of confidential information which is relevant to the price of shares and other securities in publicly quoted companies. While care should be taken with regard to the treatment of all confidential information, particular care should be taken with regard to inside information, since misuse could result in civil or criminal sanctions against both the BATM Group company and the individual concerned (see 'Insider Dealing and Market Abuse' for further detail).

You should be especially mindful of the risk of unintentional disclosure of confidential information through discussions or use of documents in public places.

For further guidance, please see the Company's Business Information Security Procedures and Guidelines.

Data protection laws govern the handling and processing of personal data and may restrict the extent to which such data may be transferred between different companies and jurisdictions.

Such laws will most commonly apply in the context of personal data relating to employees and customers. If you require further information or guidance, you should contact the Head of Legal and Secretarial Services.

Where the BATM Group and its employees inadvertently receive information which they suspect may be confidential information belonging to another party, they should immediately notify their line manager and Head of Legal and Secretarial Services.

Insider Dealing and Market Abuse

The Company is committed to supporting fair and open securities markets. Accordingly, employees may not deal on the basis of inside information or engage in other forms of market abuse.

Market abuse

No employee shall commit market abuse, which includes:

- insider dealing (dealing in shares and other securities on the basis of inside information);
- improper disclosure of inside information; and
- misuse of inside information.

Market abuse is generally defined as conduct which adversely affects a financial market and falls below the standards expected by regular users of that market. It is unlawful in many jurisdictions.

In Malaysia, insider dealing constitutes a criminal offence under the Capital Markets and Services Act 2007 (the "CMSA").

For further information about the types of behaviour that may constitute Insider Dealing in Malaysia and the penalties involved, you should refer to the CMSA.

Handling inside information

If an employee has or receives information that may constitute inside information in relation to the Company or any publicly quoted BAT plc Group company then he or she should immediately disclose such inside information, either to his or her Managing Director or Head of Function, or (where the inside information arises in connection with a specific Project) the Project Leader.

Otherwise, inside information should be disclosed only with specific authority and only:

- to those employees who require it for the exercise of their functions within the BATM Group; or
- to agents or representatives of a BATM Group company who owe a duty of confidentiality to that company and require such information to carry out work on its behalf.

Inside information is information of a precise nature which:

- is not generally available;
- relates directly or indirectly to a publicly quoted company or to its shares or other securities; and
- would, if generally available, be likely to have a significant effect on the price of that company's shares or other securities, or related investments.

Particular care should be taken with regard to the treatment of inside information, since misuse could result in civil or criminal sanctions against both the Company and the individual concerned.

If you are uncertain as to whether you are in possession of inside information or other information of a price-sensitive nature about any BATM Group company or BAT plc Group company, you should contact the Company Secretary of the Company.

Responsible share dealing

No employee is permitted to deal in the shares or other securities of any publicly quoted company (whether BATM or BAT plc Group or non- BATM or BAT plc Group), or to encourage others to so deal, while he or she has inside information or other information of a price-sensitive nature relating to that company.

If you intend dealing in the shares or other financial instruments of the Company or any publicly quoted BAT plc Group company and from time to time have access to inside information, or other information of a price-sensitive nature, relating to that company, you should ensure that you comply with the laws governing share transactions in the relevant jurisdiction and, if you are subject to it, the requirements of any code for share dealing issued by that company.

'Dealing' is widely construed and includes any sale, purchase or transfer (including by way of gift) as well as spread bets or other contracts for differences or other derivatives involving shares or other securities.

Dealing in the shares of a publicly quoted company while in possession of inside information or other information of a price sensitive nature relating to that company is likely to constitute insider dealing and may constitute a criminal offence or otherwise be unlawful in many countries.

Dealing in the shares of the Company or any publicly quoted BAT plc Group company while in the possession of inside information or other information of a price sensitive nature relating to that company is, in addition, likely to be contrary to our rules on share dealing.

For the rules applicable to dealings in shares in BATM, please refer to BATM's Internal Regulations on Securities and for rules applicable to dealing in shares in BAT p.l.c., please refer to its Code for Share Dealing. You should take particular care when dealing in the said shares if you are an Insider, meaning that you are someone with regular or occasional access to inside information relating to BATM and/or BAT p.l.c.

You will be notified if you are an Insider.

Competition and Anti-Trust Laws

The BATM Group believes in free competition and seek to compete fairly and ethically and within the framework of the applicable competition laws and guidelines.

Commitment to fair competition

The BATM Group and its employees must ensure that they

- comply with the Competition Act 2010; and
- the BATM Group's Competition Compliance Guidelines

(collectively "applicable Competition Rules")

The BATM Group is committed to vigorous competition in the market in which it operates.

The Competition Act, 2010 applies to any commercial activity transacted not only in Malaysia but also outside Malaysia which has an effect on competition in any market in Malaysia.

The applicable Competition Rules impact on virtually every aspect of the BATM Group's day-to-day activities, including: the sale and display of products; relationships with suppliers, distributors, points of sale or other customers; relationships with competitors; as well as, for example, when unilaterally deciding pricing strategy and other trading conditions or negotiating and drafting contracts.

The applicable Competition Rules do not apply in a vacuum. They are inextricably linked to market conditions.

If you are involved in business activities where the applicable Competition Rules may be relevant, you will often need to seek and obtain tailored legal advice that is specific to the circumstances.

Parallel behavior

Certain types of agreements, arrangements and practices almost always break the applicable Competition Rules.

Employees should never talk or exchange information with competitors in order to:

- fix prices or any element or aspect of pricing, including, but not necessarily limited to, rebates, discounts, surcharges, pricing methods, costs and terms of payment, as well as timing of price changes and level or percentage of price changes;
- fix other terms and conditions;
- divide up or allocate markets, customers and/or territories;
- limit production or capacity;
- influence the outcome of a competitive bidding process; or
- agree a collective refusal to sell to or buy from particular entities, otherwise known as 'collective boycotts'.

Typical market conditions that often prevail and may have an impact on how an issue is approached include:

- market concentration;
- product homogeneity and brand differentiation;
- regulatory restrictions, such as restrictions on advertising, display bans and restrictions on the use of products, for example smoking bans in public buildings.

Parallel behaviour between competing companies is not necessarily anti-competitive in and of itself, but extra care must be taken to ensure that this is not linked to any element of collusion with competitors, nor is there any appearance of such collusion.

The notion of 'agreement' or 'practice' is often very wide indeed. It extends beyond a formal, written agreement. It covers oral agreements, understandings or practices, 'gentlemen's agreements', non-binding agreements and even action taken with a 'common understanding'. It can cover both direct and indirect agreements, for example an agreement between competitors brokered by a third party, such as a trade association, customer or supplier. It can also include situations in which competitors merely share (directly or indirectly) competitively sensitive information with a view to reducing the risks of competition going forward, even where there is no agreement between them. For example, competitors might inform each other of future price increases such that each may regulate its pricing policy in the knowledge that its competitors will behave in the same way. This is commonly referred to as a concerted practice. There is thus no 'clever' way to get round the applicable substantive rule.

It is also important to bear in mind that the term 'competitor' includes both actual and potential suppliers of products in competition with the BATM Group.

Meeting with competitors

Not all arrangements with competitors are problematic and some that are may nonetheless have beneficial effects that outweigh any harmful effects. Any meeting or direct contact with competitors should, however, be treated with extreme caution.

Legitimate contacts with competitors may include those in the context of trade associations, certain information exchanges as between competitors, as well as in the context of joint initiatives in respect of regulatory engagement and public advocacy.

It is advisable to maintain a careful record of any meetings with representatives of competitors, and you should always break away from a discussion if you are concerned that it may be, or may be construed as, anti-competitive in nature. In such circumstances, you should subsequently notify the situation to the Head of Legal and Secretarial Services.

Competitor information

In order to compete effectively in the global marketplace, it is necessary to gather information about our competitors. However, we may only do so through legitimate means and in compliance with the applicable Competition Rules. Competitor information may not be gathered through unlawful or improper means, such as by theft, illegal entry, bribery, misrepresentation or the like.

The gathering of competitor information directly from competitors is never justified, save in exceptional circumstances.

The gathering of competitor information from third parties (including customers, consultants, analysts and trade associations) will often raise complex legal issues that may well vary from jurisdiction to jurisdiction.

Resale price maintenance

Certain types of restrictions between two players at different levels of the supply chain (such as between supplier and distributor/reseller) may give rise to violations of the applicable Competition Rules. This is particularly true of re-sale price maintenance provisions.

Restrictions on our customers' ability to resell into territories or to certain customer groups may also be viewed as a serious violation of the applicable Competition Rules.

Resale price maintenance arises where a supplier seeks to, or does in fact, control or influence (including indirectly, through threats and/or incentives) the prices at which its customers resell the products.

The rules on resale price maintenance and resale restrictions generally vary widely from jurisdiction to jurisdiction. If this is relevant to your role, it is important for you to be familiar with the rules applicable in those countries for which you have responsibility.

Dominant position

Where a company has 'market power', it typically has a special duty to protect competition and is prevented from abusing its privileged position.

It is generally limited in its ability to engage in practices such as exclusivity arrangements, loyalty rebates, discriminating between equivalent customers, charging excessively high or low (below cost) prices, or tying or bundling together different products and/or services.

The concepts of 'dominance', 'market power' and 'abuse' vary widely from jurisdiction to jurisdiction.

If you have any doubt whether a particular business practice or activity might be in breach of the applicable Competition Rules or if more detailed advice is required, please contact the Head of Legal and Secretarial Services or where (as is often the case) the issue might have effects beyond the borders of Malaysia, then through the Head of Legal and Secretarial Services, to refer the issue to the relevant Regional Counsel of BAT p.l.c.

Money Laundering and Anti-Terrorism

Money laundering involves the possession of, or any dealing with, the proceeds of criminal activity. It includes the process of concealing the identity of illegally obtained money so that it appears to have come from a lawful source.

The BATM Group does not condone, facilitate or support money laundering.

No involvement in dealing with proceeds of crime

The BATM Group and its employees must not:

- engage in any transaction which they know or suspect involves the proceeds of criminal activity; or
- otherwise be knowingly involved directly or indirectly in any money laundering activity.

They must pursue practices directed towards ensuring that their activities do not inadvertently contravene the Anti-Money Laundering and Anti-Terrorism Financing Act 2001 which is the law governing money laundering in Malaysia.

In Malaysia, the Anti-Money Laundering and Anti-Terrorism Financing Act 2001 makes it a criminal offence to engage in money laundering activity.

Generally speaking, such laws make it an offence for any person or company to engage in transactions involving assets which they know or suspect are derived from criminal activity.

Penalties for breach of money laundering laws can be severe (including substantial fines and/or imprisonment) and can attach both to individuals and to corporations.

In essence, the more effective a company's procedures are at detecting and preventing money laundering activity, the less likely it is that the company will be liable for prosecution as a result of its employees' activities.

Minimising the risk of involvement and reporting suspicious activity

The BATM Group is required to adopt and maintain procedures designed to:

- minimise the risk of inadvertent participation in transactions involving the proceeds of criminal activity;
- detect and prevent any dishonest involvement in money laundering activity on the part of its employees; and
- support employees in identifying circumstances which ought to give rise to a suspicion of money laundering activity.

The BATM Group must ensure that their existing customer approval and "know your customer" procedures are sufficient to provide comfort, as far as possible, that their customers are not involved in any form of criminal activity.

Employees should promptly refer suspicious transactions or activities by any customer or other party with whom they are dealing to their Managing Director or Head of Function and Head of Legal and Secretarial Services.

You should be conscious of situations which ought to give rise to a suspicion of possible money laundering activity. These include (but are not limited to):

- payments made in currencies other than those specified on the invoice;
- payments made in cash or cash equivalents, in particular where the sum involved is substantial;
- multiple payments from different sources in satisfaction of a single invoice;
- payments to or from an account other than the normal business relationship account;
- requests to make an overpayment;
- payments made by, or requests to supply goods to, someone not a party to the contract; and
- requests to supply goods to a location other than the most proximate branch/office or to adopt an unusual shipping route.

Refusing to accept large cash sums

The BATM Group should avoid accepting cash payments where the sum involved is substantial.

Awareness and compliance with relevant anti-terrorism measures

The BATM Group and its employees must:

- ensure that they do not knowingly assist in the financing of, or otherwise provide support for, terrorist activity; and
- pursue practices to ensure that their activities do not otherwise inadvertently contravene any relevant anti-terrorism measures.

Terrorist groups are increasingly using legitimate businesses to generate revenue for their networks and activities. Such businesses may range from retail outlets to distribution or financial service companies. In common with many others, tobacco companies run the risk of inadvertently breaching anti-terrorism financing measures when they deal with such businesses.

The BATM Group must adopt and maintain procedures and controls designed to prevent inadvertent breach of anti-terrorism measures.

The BATM Group's anti-terrorism controls should include checks to ensure that they do not deal with any entity which is proscribed, by reason of a known or suspected terrorist association, by any applicable list published by a governmental or inter-governmental organisation.

If in any doubt, or if more detailed advice is required, please contact the Head of Legal and Secretarial Services.

Trade in Products

The BATM Group engages only in lawful trade in its products.

Illegal cigarettes trade, which includes smuggled or counterfeit cigarettes, harms its business and the market should be free of it.

No involvement in or support for illegal cigarettes trade in BATM Group's products

The BATM Group and its employees must ensure that:

- they do not knowingly engage in unlawful trade in the BATM Group's products;
- their business practices are directed at supporting only the legitimate trade in the BATM Group's products; and
- they collaborate with all relevant authorities in any investigation regarding suspected illegal cigarettes trade in the BATM Group's products.

Employees must ensure that that they do not engaged or participate in any acts of dealing/trading in, or consumption of illegal cigarettes. Employees must ensure that:

- they immediately report if they have been approached by any third parties to deal/trade in illegal cigarettes; or
- they immediately report if they are aware of any employee dealing/trading in, or consumption of illegal cigarettes or any employee who have been approached by any third parties to deal/trade in illegal cigarettes.

Monitoring and assessing illegal cigarettes trade

The BATM Group should have in place capacity to regularly monitor the illegal cigarettes segment in its market and to assess the extent if any to which its products may be involved in that segment or may be diverted to other markets.

Maintaining controls to prevent illegal cigarettes trade in BATM Group's products

The BATM Group is expected to have in place controls and measures to prevent its own products being diverted into the illegal cigarettes channel, to include:

- robust and effective customer and supplier evaluation and approval procedures ('know your customer' and 'know your supplier' procedures);
- measures to ensure that supplies to markets are consistent with legitimate demand in those markets; and
- procedures for investigating and, where appropriate, suspending or terminating dealings with customers or suppliers suspected of knowing or reckless involvement in illegal cigarettes trade activities.

Where it is suspected that any products have entered the illegal cigarettes trade channel, the AIT Unit should be notified under established reporting procedures.

The BATM Group fully supports the aims of governments and regulators in seeking to eliminate all forms of illegal cigarette trade.

Such trade deprives governments of revenues, promotes criminality, misleads consumers into buying products of dubious quality and hampers efforts to block underage sales. It also harms the its brands, devalues its investment in local operations and distribution networks and undermines the regulatory regimes governing the legitimate industry.

Customer and supplier evaluation and approval procedures should be designed to ensure that the BATM Group's products are sold only to reputable customers, or manufactured only by reputable suppliers, and in such quantities as are required to meet their legitimate business needs.

The BATM Group should ensure that its policy and position on illegal cigarettes trade is made clear to their customers and suppliers and, wherever possible, provide for a contractual right to suspend or terminate supplies to customers or suppliers believed to be involved, knowingly or recklessly, in illegal cigarettes trade activities.

The BATM Group will be proactive in co-operating with governments and enforcement authorities to address illegal cigarettes trade.

If in any doubt, or if more detailed advice is required, please contact the Head of AIT or Head of Legal and Secretarial Services .

Sanctions

Various sanctions regimes exist throughout the world, ranging from comprehensive economic and trade sanctions to more specific measures such as arms embargoes, travel bans and financial or diplomatic restrictions. Economic and trade sanctions impact upon the businesses of our companies by restricting the extent to which they can operate within certain jurisdictions.

Awareness and compliance with sanctions

The BATM Group and its employees must ensure that they do not knowingly:

- supply their products, or allow their products to be supplied, to any person;
- purchase goods from any person; or
- otherwise deal in any way with any person or property

in contravention of any lawful sanction, trade embargo, export control or other trade restriction which is applicable to them.

Sanctions may be imposed by individual countries and also by supra-national organisations, such as the United Nations and the EU.

Some sanctions regimes may have extraterritorial effect. US sanctions, for example, can apply both to US persons (wherever located) and to exports/re-exports of US-origin product and product with US-origin content (whether or not the entity handling the product is a US person).

Serious penalties, including fines, revocations of export licences and even imprisonment, can apply when sanctions are broken.

Minimising the risk of breach

The BATM Group is expected to be aware of, and fully compliant with, all lawful sanctions regimes that impact upon its business and to have in place proper controls and procedures to minimise the risk of breaching such regimes.

The BATM Group should provide training and support to ensure that its employees involved in the international supply and purchase of products, technologies and services are aware of and understand all applicable sanctions regimes.

Employees should notify the Head of Legal and Secretarial Services immediately and before taking any action if the BATM Group company receives any boycott-related requests, whether oral or written and whether specific to a particular transaction or more general in nature.

Examples of sanctions and other trade restrictions include prohibitions or restrictions on:

- exports or re-exports to a sanctioned country;
- imports from, or dealings in property originating from, a sanctioned country;
- travel to or from a sanctioned country;
- new investments and other dealings in a sanctioned country, or with designated individuals or organisations;
- making funds or resources available to designated individuals or organisations;
- transfer of restricted software, technical data or technology by e-mail, download or visits to sanctioned countries; and
- supporting boycott activity (eg, US anti-boycott laws).

The list of prohibited countries and restrictions is subject to change. Accordingly, if your work involves the sale or shipment of products, technologies or services across international borders, you should make sure that you keep up to date with the rules that apply.

If in any doubt, or if more detailed advice is required, please contact the Head of Legal and Secretarial Services.

Principles for Engagement

The BATM Group is committed to corporate transparency and recognises that as a responsible company, all engagement activities undertaken must be guided by internal standards. The principles and standards below form the BATM Group 'Principles for Engagement' and all employees are required to act in accordance with the Principles for Engagement.

Civic participation

Civic participation is a fundamental aspect of responsible business and policy making, and employees will participate in the policy process in a transparent and open manner, in compliance with all laws and regulations of the markets in which it operates.

The BATM Group believes that engagement with politicians, policy makers and regulators, when carried out transparently and with high regard for accuracy, allows for the best information to be used as a foundation for decisions in policy making.

Employees will contribute to the policy-making process by providing valuable data and insights in a transparent and accurate manner in order to encourage that regulations are developed with the help of all available information.

Transparency and integrity

All employees are expected to adhere to high professional standards of transparency and integrity.

When engaging with external stakeholders, employees must ensure that:

- They always identify themselves by name and corporate affiliation;
- They do not, directly or indirectly, offer, promise or give any gift, payment or other benefit to any person for the purposes of inducing or rewarding improper conduct or influencing any decision by a public official to the advantage of the Group or any Group company; and
- Information will never be obtained by dishonest means.

The Principles for Engagement apply to all directors, officers and permanent employees of the BATM Group, but also to secondees, trainees, those on work experience and other temporary staff. If employees are responsible for engaging and/or supervising individuals in such roles, they should ensure that they are familiar with the Principles for Engagement and their obligations under them.

External engagement

No BATM Group employee will ask a third party to act in any way that contravenes the Principles for Engagement.

The BATM Group employees will conduct all external engagement through accurate evidence-based communication. When conducting external engagement, employees will endeavour to offer constructive solutions.

The BATM Group shall publicly acknowledge its support of third party organisations, subject to commercial confidentiality requirements and data protection laws.

Employees should endeavour to share accurate, complete, and evidence-based information to regulators in order to best inform decision making. Employees should offer constructive solutions that will best meet the objectives of regulation while minimising any negative unintended consequences.

Leadership role

The BATM Group is committed to a leadership role within the industry and to advocating the adoption of the Principles for Engagement by other organisations.

Employees will be properly educated to ensure that they understand and execute the Principles for Engagement effectively.

If in any doubt, or if more detailed advice is required, please contact the Head of Legal and Secretarial Services.

ISSUED BY: BRITISH AMERICAN TOBACCO (MALAYSIA) BHD

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