

Building A Better Tomorrow™



1



BAT Malaysia is the largest and leading tobacco company in the country.




2

Years of History in Malaysia

100+

3

The Group's purpose is to build A Better Tomorrow™ for all our stakeholders.



4

Sustainability is at the front and centre of everything we do.

5

Recognised by Bursa Malaysia FTSE Russell ESG (Environment, Social and Governance) ratings.

Top 25% amongst public listed companies.

Contributed

RM1.8 billion

in tax revenue to Malaysia.

6



8

BAT has scientifically-substantiated reduced-risk products that can contribute to Tobacco Harm Reduction.

7

57.7% illicit cigarette incidence in 2021.

Government revenue impacted by **RM5 billion.**



BUILDING A BETTER TOMORROW™

At British American Tobacco Malaysia (BAT Malaysia), we are strongly committed to Building A Better Tomorrow™. Our cover is a snapshot of our business in 2021, demonstrating how we have adopted a holistic approach that benefits all stakeholders as well as the main issues surrounding the industry. We have strived to be recognised as a responsible corporate citizen by prioritising our communities and customers as we grow our business in a sustainable and balanced manner. At BAT Malaysia, we are on a journey of transformation and we remain committed to reducing the health impact of our business.

COMMITTED TO BUILDING A BETTER TOMORROW™

Our Purpose

To build A Better Tomorrow™ for all our stakeholders.

Our Commitment

To reduce the health impact of our business through a multi-category portfolio of products including reduced-risk tobacco and nicotine products.*

* Based on the weight of evidence and assuming a complete switch from cigarette smoking. These products are not risk free and are addictive.



1 We are committed to transforming BAT Malaysia to reduce our health impact.

2 We are uniquely positioned with our consumer centric multi-category portfolio.


3 We have the strengths, new capabilities, brands and resources to succeed.

4 We are on a journey; transformation is happening; the opportunity is huge.

5 We are confident in delivering our targets and building A Better Tomorrow™.

CROSS REFERENCES

 Find more information inside this report

 Refers readers to more information online



Scan to view our Annual Report 2021 microsite

This report is available on our corporate website:

 <https://www.batmalaysia.com/>



FEEDBACK

We welcome feedback on the Report, and look forward to receiving your comments/suggestions via email to bat_malaysia@bat.com

About This Report

OUR REPORTING APPROACH

This is British American Tobacco (Malaysia) Berhad's ("BAT Malaysia" or "the Company") Annual Report 2021. This report covers the Company's activities between 1 January 2021 and 31 December 2021, and strives to present balanced and comprehensive information to our stakeholders regarding our strategic priorities and financial performance. This report also details non-financial performance in 2021 which incorporates our sustainability approach in the context of Harm Reduction, Environment, Social and Governance.

SCOPE AND BOUNDARIES

BAT Malaysia is a public listed company on the Main Market of Bursa Malaysia Securities Berhad (Bursa Malaysia). We have been guided by international integrated reporting frameworks, as well as the Malaysian Code on Corporate Governance (MCCG), Bursa Malaysia's Main Market Listing Requirements (MMLR), Bursa Malaysia's Corporate Governance Guide, the Companies Act 2016, Malaysian Financial Reporting Standards and the International Financial Reporting Standards.

In the area of sustainability, we have developed our reporting in line with key sustainability reporting guidelines such as:

- GRI Standards
- Bursa Malaysia Sustainability Reporting Guide 2nd Edition
- FTSE4Good Requirements

The Sustainability Statement covers British American Tobacco (Malaysia) Berhad and its wholly owned subsidiaries (also known as the Group):

1. **Commercial Marketers and Distributors Sdn. Bhd.**
2. **Tobacco Importers and Manufacturers Sdn. Berhad**

Together, the Company and its two active subsidiaries above, form the operating companies of the Group in Malaysia. Unless otherwise stated, the Sustainability section covers the activities of BAT Malaysia.

All information presented is as at 31 December 2021, unless otherwise stated.

FORWARD-LOOKING STATEMENTS

This report contains certain forward-looking statements regarding the business and financial performance of the Company which will involve risk and uncertainty because they can be impacted by events or circumstances that may or may not occur in the future. Factors that can impact the results described in our forward-looking statements include changes to economic conditions, adjustments to regulatory or tax regimes, as well as the effects of the COVID-19 pandemic.

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About Us



At BAT Malaysia, we are on a journey to transform our business. We are accelerating this transformation to offer alternative choices for adult consumers that reduce the health impact of our business, while also remaining deeply committed to good sustainability practices across the organisation. At BAT Malaysia, we are building A Better Tomorrow™.

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Who We Are

Corporate Profile



BRITISH AMERICAN TOBACCO (MALAYSIA) BERHAD

British American Tobacco (Malaysia) Berhad (BAT Malaysia) is the leading tobacco company in the country with a 52.4% share of the legal market.

(Source: IPSOS Retail Audit Dec 2021)

The Company, with 389 employees, has been listed on the Malaysian stock exchange since 1961.

Our proud legacy provides a great platform for our purpose to build **A Better Tomorrow™**. We will build A Better Tomorrow™ by reducing the health impact of our business through the offering of a greater choice of enjoyable and less risky products to our consumers. Towards this aim, British American Tobacco p.l.c. (BAT) has developed new categories of potentially reduced-risk alternatives to smoking.

Together with our subsidiaries - Commercial Marketers and Distributors Sdn. Bhd., and Tobacco Importers and Manufacturers Sdn. Berhad, we currently offer high-quality tobacco brands such as Dunhill, Peter Stuyvesant, Rothmans, KYO, Pall Mall, Kent, and Benson & Hedges.

BAT Malaysia is part of British American Tobacco p.l.c. Group's investment in Malaysia, which also includes the British American Tobacco Asia Pacific Finance Shared Services, the British American Tobacco Asia Pacific Regional Product Centre, and the British American Tobacco Global Services Delivery.

DUNHILL

Peter
Stuyvesant

Rothmans

KYO

glo™ neo™

PALL MALL

BENSON & HEDGES

Who We Are

Purpose & Strategy

OUR PURPOSE

Our purpose is to build
A Better Tomorrow™ for all our
stakeholders.



OUR STRATEGY

Our business continues on its transformational journey to build A Better Tomorrow™. Today, we see new opportunities to capture consumer moments which have, over time, become limited by societal and regulatory shifts, and to satisfy evolving consumer preferences.

We have evolved our strategy to put a sharper focus on our New Category products, fuelled by investment from the continued delivery of our traditional tobacco business.

Our mission is to anticipate and satisfy this ever-evolving consumer: provide pleasure, reduce risk, increase choice and stimulate the senses of adult consumers worldwide.



Scan this QR Code which explains more
about our commitment to building A Better
Tomorrow™

What We Do

At a Glance

Revenue RM2,637 Million	Profit Before Tax RM394 Million	Net Profit RM285 Million
Net Dividend Per Share 98 Sen	Shareholder's Fund RM383 Million	Net Returns on Shareholder's Fund 74%

Awards and Achievements



TOP Employer Award

- Top Employer in Malaysia for the fourth consecutive year
- Also certified Top Employer in Asia Pacific and Global Categories



MSWG-ASEAN Corporate Governance Award 2020

- Excellence Award for Corporate Governance Disclosure
- Industry Excellence Award in Consumer Products & Services category



International ARC Awards 2020

- Interactive Annual Report category – Bronze



Bursa Malaysia FTSE Russell ESG Ratings

- 4-star rating
- Top 25% amongst public listed companies in ESG performance

61st BRITISH AMERICAN TOBACCO (MALAYSIA) BERHAD ANNUAL GENERAL MEETING

Meeting Platform -

TIIH Online website at <https://tiih.online>

Broadcast Venue -

Infinity Room, Level 16
 Guoco Tower, Damansara City
 No. 6, Jalan Damanlela
 Bukit Damansara
 50490 Kuala Lumpur

Date & Time -

Wednesday // 27 April 2022 // 9.30 a.m.

Website

www.batmalaysia.com

What We Do

Overview of BAT Malaysia

At BAT Malaysia, we stand for being more than just the leading tobacco company in Malaysia.

We are recognised as a respectable corporate citizen with an excellent track record in corporate governance and are known as a leading employer with a multitude of awards and recognition for best-in-class talent development. We also understand the importance of community development.

BAT Malaysia has been an active contributor to the community we operate in through various corporate social investments since our inception.

Years of History in Malaysia

100+

Employees

389

Certified Top Employer



Earnings Per Share (sen)

99.8

Market Share

52.4%



What We Do

Corporate Structure



What We Do

Corporate Information

BOARD OF DIRECTORS

Tan Sri Dato' Seri (Dr.) Aseh bin Haji Che Mat

PSM, SPSK, SSAP, SPTJ, SPDK, DPCM, DSAP, DIMP, KMN, AMN
Independent Non-Executive Director
(Chairman)

Dato' Chan Choon Ngai

DSNS
Senior Independent Non-Executive Director

Eric Ooi Lip Aun

Independent Non-Executive Director

Norliza binti Kamaruddin

Independent Non-Executive Director

Datuk Christine Lee Oi Kuan

DPSM
Non-Independent Non-Executive Director

Nedal Louay Salem

Non-Independent Executive Director
(Managing Director)

Anthony Yong Mun Seng

Non-Independent Executive Director
(Finance Director)

COMPANY SECRETARY

Sharifah Thaherah Syed Taha

(SSM Practicing Certificate No: 202008004234)
(MACS01735)
Tel : +60 (3) 2720 8188
Fax : +60 (3) 2720 8106
Email : sharifah_thaherah@bat.com

REGISTERED OFFICE

British American Tobacco (Malaysia) Berhad

[Registration No: 196101000326 (4372-M)]
Level 19, Guoco Tower
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Bukit Damansara
50490 Kuala Lumpur
Tel : +60 (3) 2720 8188
Fax : +60 (3) 2720 8106
Email : bat_malaysia@bat.com

COMPANY WEBSITE

www.batmalaysia.com

SHARE REGISTRAR

Tricor Investor & Issuing House Services Sdn Bhd

[Registration No:197101000970 (11324-H)]
Unit 32-01, Level 32, Tower A
Vertical Business Suite, Avenue 3
Bangsar South, No. 8, Jalan Kerinchi
59200 Kuala Lumpur
Tel : +60 (3) 2783 9299
Fax : +60 (3) 2783 9222
Email : lay.kiow.lim@my.tricorglobal.com
siti.zalina@my.tricorglobal.com

AUDITORS

KPMG PLT

[Firm No: LLP0010081-LCA & AF 0758]
Chartered Accountants
Level 10, KPMG Tower
8, First Avenue
Bandar Utama
47800 Petaling Jaya
Selangor Darul Ehsan
Tel : +60 (3)7721 3388
Fax : +60 (3)7721 3399

PRINCIPAL BANKERS

Citibank Berhad

[Registration No: 199401011410 (297089-M)]

Deutsche Bank (Malaysia) Berhad

[Registration No: 199401026871 (312552-W)]

Malayan Banking Berhad

[Registration No: 196001000142 (3813-K)]

Sumitomo Mitsui Banking Corporation Malaysia Berhad

[Registration No: 201001042446 (926374-U)]

STOCK EXCHANGE LISTING

Main Market of Bursa Malaysia Securities Berhad

Listed Since : 27 October 1961
Stock Code : 4162
Stock Name : BAT

Leadership Statement



A photograph of a man in a dark suit and light-colored shirt, sitting on a wooden bench. He is looking out of a window to his left. The scene is dimly lit, with light coming from the window. The image is overlaid with a blue tint.

BAT Malaysia produced a stellar performance in 2021 despite the uncertainties of the pandemic and the effect of the black market on the overall industry. All key financial metrics recorded growth in 2021, with volume growing for the first time since 2002.

Message to Shareholders and Stakeholders

Dear Shareholders,

**On behalf of the Board of
Directors, we are pleased
to present BAT Malaysia's
Annual Report and Financial
Statements for the financial
year ended 31 December 2021.**

Once again, BAT Malaysia performed remarkably despite a difficult environment. 2021 saw our volume grow for the first time since 2002 and profit grow for the first time since 2015. We truly are building A Better Tomorrow™.

**Tan Sri Dato' Seri (Dr.) Aseh
bin Haji Che Mat**
(Chairman)



Message to Shareholders and Stakeholders

Once again, BAT Malaysia performed remarkably despite a difficult environment. 2021 saw our volume grow for the first time since 2002 and profit grow for the first time since 2015. We truly are building A Better Tomorrow™. Accordingly, the Board of Directors has declared a dividend of 98 sen per share.

As much as the COVID-19 pandemic continued to impact the business operating landscape last year, we are pleased to report that the increased enforcement efforts by the Malaysian government have led to a decrease in tobacco black market incidence, indirectly bolstering the sales of legal cigarettes in the country. However, the incidence of illegal cigarettes remains at crisis levels, with smugglers now bringing in their black market goods via small vessels. Hence, we urge the government to increase enforcement activities and recapture the RM5 billion in tax revenue lost each year.

In 2021, BAT Malaysia reaffirmed our commitment to sustainability by unveiling a strategy that aims to reduce the health impact of the business while championing environmental, social and corporate governance excellence. We believe that this approach will deliver A Better Tomorrow™ for our consumers, shareholders, regulators, business partners, employees and society as a whole. Accordingly, we were encouraged in October 2021 when the government indicated that it would be legalising nicotine vapour products in 2022. We would like to see the development of specific, science-backed regulations as is the case in countries like the United Kingdom.

Along with changes in the operating environment, there were also changes in BAT Malaysia's Board of Directors and Leadership Team. It is with a sad heart that we note that our two Non-Independent Executive Directors, Jonathan Reed and Ignacio Ballester, have stepped down from their leadership roles. Their dedication and leadership in taking BAT Malaysia back onto the path of growth is deeply appreciated and we wish them success in their future endeavours.

We are pleased to welcome Norliza Kamaruddin as our Independent Non-Executive Director. We also welcome to the BAT Malaysia family Nedal Salem, who joins us as Managing Director and Non-Independent Executive Director, and Anthony Yong, as Finance Director and Non-Independent Executive Director. With their wealth of experience, the Group is well placed to take another step forward in its growth journey.

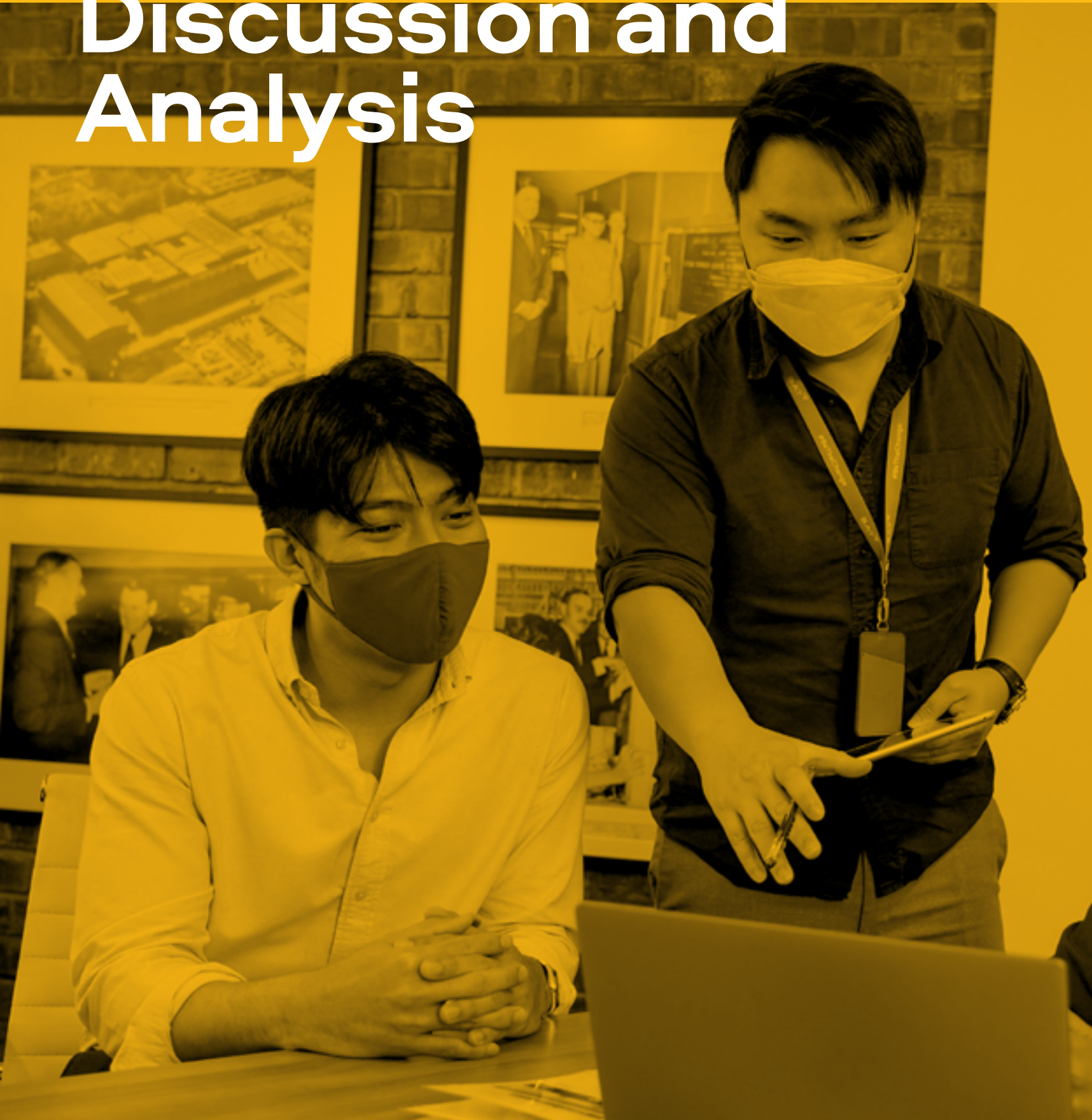
As we move into 2022, BAT Malaysia will continue to enhance our efforts to build A Better Tomorrow™ in all areas especially in reducing the health impact of our business.

Nedal Salem
(Managing Director)

Tan Sri Dato' Seri (Dr.) Aseh bin Haji Che Mat (Chairman)

Nedal Salem (Managing Director)

Management Discussion and Analysis



BAT Malaysia will continue growing its revenue through combustibles. This will enable us to allocate sufficient investments to develop New Category products that will fulfil our aim of providing greater choice and less risky products to reduce harm to our consumers.

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I am pleased to present the Management Discussion and Analysis (MD&A) of BAT Malaysia for the financial year ended 31 December 2021. This MD&A provides insights into BAT Malaysia's business operations, how we navigated challenges, our financial performance for the year under review as well as our expectations going into 2022."

Nedal Salem
Managing Director



Our strategic priorities



Marketplace

The Tobacco Black Market

The Company's efforts to draw attention to the seriousness of Malaysia's tobacco black market through our "STOP THE BLACK MARKET" platform continue to yield success. Nielsen's Illicit Cigarettes Study (ICS) in Malaysia 2021 reported that the incidence of illegal cigarettes decreased by 6.1ppt, from 63.8% in 2020 to 57.7% in 2021.

However, criminal syndicates have changed their modus operandi to circumvent the measures introduced in Budget 2021 by shifting their operations and moving to small private jetties and unofficial landing spots along Malaysia's coast. The Marine Police seized more than RM220 million worth of smuggled items from January to June 2021, compared to RM55.75 million over the same period last year. More than 70% of the items seized were illegal cigarettes and liquor, followed by drugs.

Numerous initiatives were undertaken to amplify the cigarette black market crisis. One example was a digital campaign titled A Smuggler's Story. This interactive story, housed on the **STOP THE BLACK MARKET** website, sheds light on how smugglers evolve and change their operations to mitigate new enforcement actions.

BAT Malaysia expects the tobacco black market to remain at crisis point in the coming years. Therefore, the Company was pleased when the government made the decision to maintain the excise moratorium during Budget 2022. As the tobacco black market crisis is mainly attributed to affordability pressures, the Company is of the opinion that any further increase in prices will drive more consumers to cheaper illegal alternatives.

**STOP THE
BLACK
MARKET**

BAT Malaysia believes that more can be done to stop the black market. Therefore, it is vital to remain steadfast in enforcing the measures outlined by the government, accompanied by enhanced enforcement and an effective fiscal measure that addresses the affordability issue.

Illegal Vapour Products

As noted previously, BAT Malaysia was encouraged by the government's intention to legalise nicotine vapour products. However, given that over one million Malaysians are currently using these products illegally, any new revenue, regulatory and enforcement regimes must be science-backed, considered and specific. If not, BAT Malaysia fears that the mistakes of the black market cigarette crisis will be repeated. BAT Malaysia has placed itself at the government's disposal to discuss this matter.

Regulatory Developments

As we operate in a highly regulated industry, the Company places great importance on robust processes and strict governance to ensure that we are fully compliant with all existing legislation governing our products and business.

In terms of regulations, the Company has always been clear that they should be based on robust evidence and thorough research, deliver on the intended policy aims and, at the same time, allow businesses to operate and be competitive in the marketplace.

In view of the current operating landscape of the Malaysian tobacco industry, in which the tobacco black market dominates more than half of the total marketplace, BAT Malaysia strongly believes that the government must introduce regulations that will not further exacerbate the tobacco black market.

A Smuggler's Story

A story of deceit, terror and billions lost.

Contents

- The Black Cigarette Boom
- A Closer Look At The Black Market
- The Amazing Tax Trick
- How They Operate
- The Future

Start Stop The Black Market | Read the story

Scan Here
for the full version of
A Smuggler's Story

Performance Portfolio

COMBUSTIBLE VALUE GROWTH

We will deliver long term sustainable growth by deploying our winning Global brands to meet the evolving needs of the adult nicotine consumers.

In 2021, our combustible business continued to deliver a strong share growth. This was achieved via a strategic and well-positioned portfolio across all key consumer segments. Our brands recorded share growth across all segments, and thus reinforcing our leadership position in Malaysia.

Our focus is to continue share growth momentum in combustibles in order to drive revenue growth. This revenue growth will ensure we are able to re-invest in the development of New Category products in order to satisfy ever-evolving consumer needs by offering a greater choice of enjoyable and less risky products.

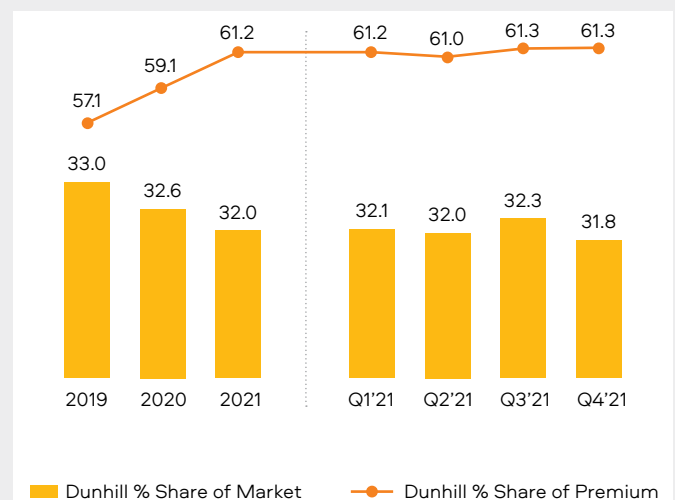
Strengthening Premium Segment Leadership

Dunhill continues to strengthen its position as the leading Premium brand in Malaysia, delivering a growth of 2.1ppt in the Premium segment. This was accomplished by reinforcing Dunhill's position as the benchmark brand for taste, quality, modernity and innovation.

DUNHILL



DUNHILL SHARE PERFORMANCE

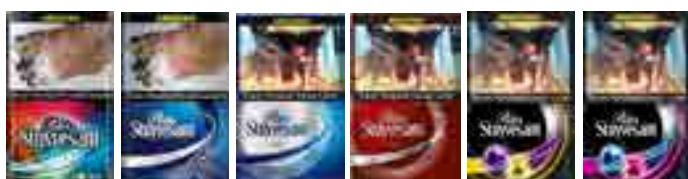


Performance Portfolio

Resilience in Aspirational Premium Segment

Our brands in the Aspirational Premium segment grew 0.6ppt share of segment in 2021.

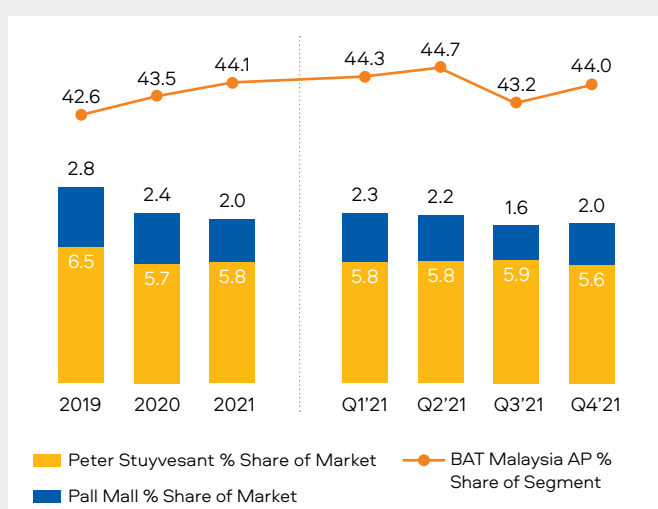
Peter Stuyvesant



PALL MALL



PETER STUYVESANT AND PALL MALL SHARE PERFORMANCE



Continuous Growth in Value-For-Money Segment

Our Value-For-Money (VFM) portfolio continued to be a key growth driver for the company in 2021, with a total of 1.4ppt growth in share of market compared to the previous year.

This was achieved through the focus on two key brands in our VFM portfolio.

Rothmans



Rothmans was re-staged to a new progressive expression of the brand to drive growth.

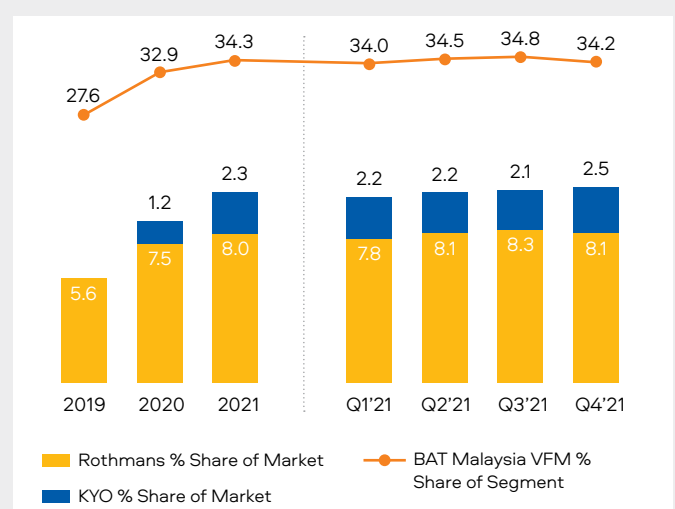
Since its debut in 2020, KYO has established itself as the fastest growing brand in the moderation space. In 2021, the brand continued to build its presence with the range expansion in the Fresh & Stimulation and Full Flavour segments.

The brand debuted in 2020 with two Stock Keeping Units (SKUs), KYO Original and KYO Silver which feature a charcoal filter. There was an addition of two SKUs in 2021, KYO Switch (Mint Capsule) and KYO Red (Full Flavour).

KYO



ROTHMANS AND KYO SHARE PERFORMANCE



Shape and Lead New Categories

Reduced-Risk Products*

Our corporate purpose is to build A Better Tomorrow™ by reducing the health impact of our business through offering a great choice of enjoyable and potentially reduced-risk products* to our consumers. We will evolve our growth model through the development of our portfolio in new categories meeting our consumers' evolving need for enjoyment and satisfaction.

While combustible tobacco will be at the core of our business for some time to come, we aim to generate an increasingly greater proportion of our revenues from products other than cigarettes, thereby reducing the health impact of our business. We intend to build on our strong foundations in tobacco, to build a better tomorrow for consumers, employees, shareholders, and society.

Our ambition is to deliver long-term sustainable growth with a range of innovative and potentially reduced-risk products* that stimulate the senses of new adult generations. We believe that by providing a range of high quality, innovative products, many millions of smokers will make the choice to switch.

We welcome the announcement in Budget 2022 on the Government's intention of legalising nicotine vaping with the introduction of excise on vaping products. A robust regulatory framework with clear quality controls is needed for the entire vape industry, including nicotine e-liquids. This would ensure that Malaysian consumers have access to products of known quality and facilitate government access to significant revenue. We will continue to support and encourage clear and practical regulations in relation to nicotine vaping by the Malaysian Government.

* Based on the weight of evidence and assuming a complete switch from cigarette smoking. These products are not risk-free and are addictive.



Simpler and Smarter Organisation

To remain competitive in a changing environment we have utilised new technologies and innovative ways of working to drive our ongoing transformation.

EMBRACING DIGITAL TRANSFORMATION

In 2021, BAT Malaysia continued on its digital transformation journey to include solutions to collaborate with law enforcement authorities and to adapt to changes in the sales and distribution environment.

Anti-Illicit Trade Automation

In the year under review, we, working together with law enforcement, leveraged on automation and artificial intelligence to combat the scourge of the tobacco black market which enabled the authorities to obtain in-depth intelligence about the black market instantly.

This further enhances our efforts to support law enforcement and to reduce the supply of illicit cigarettes in the market from 63.8% in 2020 to 57.7% in 2021.

Enhancing our Distribution Model

The market environment remains dynamic with an evolving retail environment on a backdrop of sustained levels of the tobacco black market, acceleration of digital capabilities amongst retailers as a result of COVID-19 and a diversifying consumer preference. With that, BAT Malaysia has designed a new route-to-market (RTM) model to capitalise on the opportunities.

The new model includes a tailored approach in both taking and receiving orders via multiple channels, traditional face to face, tele sales, online and supported by our third-party logistics providers.

This newly designed RTM model leverages on digital technology platforms to further drive efficiencies and real time insights, builds capabilities to be in readiness to deliver a multi-category business and drives a fit-for-purpose sales and distribution model to best serve of our customers. The deployment of the model was done during the times of pandemic demonstrating BAT Malaysia's commitment towards driving long-term value and a testament of the resilience of the business.

Simplifying Further

BAT turned to digitalisation to further improve operational efficiency and optimise spending, all part and parcel of becoming a Simpler, Smarter Organisation. As part of this overarching goal, in 2021, we simplified our procurement procedures for lower value quotations below the RM100,000 threshold. We also implemented digital signatures to simplify and expedite our processes, which had the additional benefit of reducing costs and easier tracking for audit purposes. The use of digital signatures was an especially important initiative to ensure business continuity considering that many of our employees were working from home during the pandemic. In addition, we also introduced a new tool to analyse our spending which leverages on machine learning and artificial intelligence to produce accurate reports that helps in performing spend analysis and strategy.

OPTIMISING OUR SUPPLY CHAIN

Reducing Cost

2021 saw supply-chain related savings of RM5.4 million. The savings were indirect in nature and achieved by identifying new ways of working and process improvements. Some notable achievements included:

- Consolidating the Dunhill call centre with the new customer service call centre.
- Consolidating merchandising production from six vendors to one.
- Transitioning away from purchasing of vehicles to fleet leasing.

Accelerating Innovation

In understanding that the innovation process is a collaborative one, BAT Malaysia invited our suppliers to present their ideas, products and services that would help support our marketing initiatives. Held in August 2021, the inaugural Virtual Supplier Innovation Day saw three suppliers showcasing their ideas. We found it to be a constructive exercise as we discovered that our suppliers were aligned with our own ambitions, and we believe the innovation process can be accelerated through these kinds of collaborations.

Successfully Navigating the Movement Restrictions

In 2021, our Supply Chain team played a critical role in ensuring business continuity during the pandemic. The lockdowns led to the closure of our factory in Johor Bahru for a period of three months and this threatened to disrupt our ability to supply the market. To mitigate this, we obtained supply from our Singapore facility.

The sales team also leveraged on technology and a differentiated trade programme to minimise operational complexities in the marketplace due to the lockdowns.

Finance Director's Review

REVENUE

Total revenue for BAT Malaysia increased by 14% (RM322 million) when compared to 2020. The increase was driven by a higher volume of 10%. Our volume grew for the first time since 2002, as a result of a reduction in the tobacco black market incidence by 6.1ppt compared to 2020, as well as a one-off benefit from our new route-to-market implementation. Duty-free sales continued to be impacted due to regional and international travel restrictions.

Consistent with the volume growth trajectory, the Group's total market share was 52.4%, registering an increase of 0.8ppt when compared to 2020.

COST OF SALES

The Group's cost of sales increased by 14% (RM244 million) when compared to 2020, primarily attributed to higher sales volume as a result of the reduction in the tobacco black market. The Group continued to drive cost optimisation initiatives across its value chain to deliver a competitive product cost and to ensure that we were not impacted by any disruptions caused by the pandemic.

OPERATING EXPENSES

In 2021, the Group's operating expenses were higher by 5% (RM12 million) as the Group invested in various strategic initiatives to support our journey to A Better Tomorrow™. We established a future-fit, technology-driven route-to-market model that will support a multi-category business and deliver cost savings. We continued to invest in our strategic brands to deliver our traditional combustibles growth. Additionally, we made initial investments in preparation for the legalisation of nicotine vapour products as per the announcement in the Malaysian National Budget 2022.

Furthermore, during the year, the Group continued to invest in the "STOP THE BLACK MARKET" campaign, which highlights the severity of the tobacco black market and its impact on Malaysia.

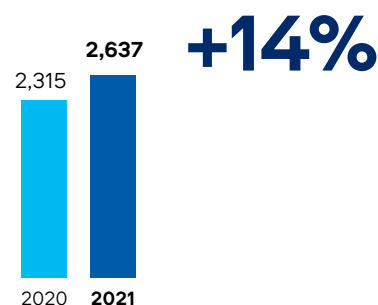
RESTRUCTURING EXPENSES

The Group incurred RM9.3 million in 2021 to restructure its business operations to become smarter and simpler. This restructuring exercise resulted in a reduction of the workforce and the creation of a new, more sustainable cost base.

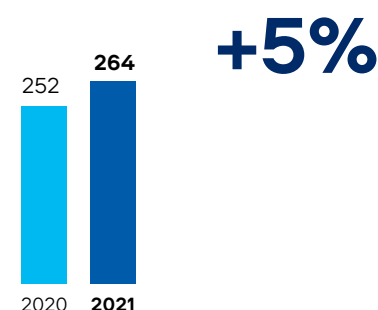
PROFIT FROM OPERATIONS

Profit from operations registered an increase of 19% (RM65 million) when compared to 2020. This growth, the first since 2015, was mainly led by higher sales volume as a result of the reduction in the tobacco black market and was partially offset by higher strategic investments.

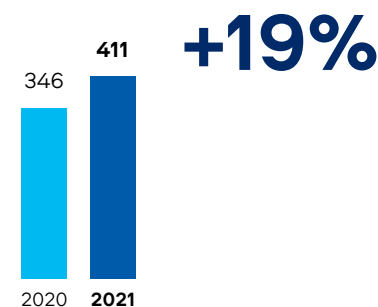
GROSS REVENUE (RM million)



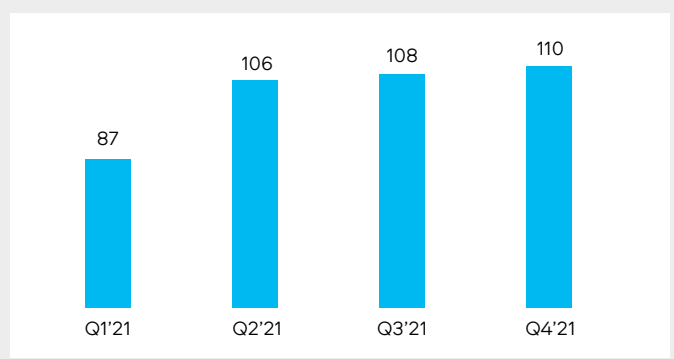
OPERATING EXPENSES (RM million)



PROFIT FROM OPERATIONS (RM million)



Finance Director's Review

PROFIT FROM OPERATIONS
 (RM million)

TAXATION

The average effective tax rate of the Group for the financial year ended 31 December 2021 was 27.7%. The marginal increase in the average effective tax rate compared to the actual tax rate of 24% was mainly due to non-deductible items and under-provision of current tax in prior years.

DIVIDENDS

Despite the challenging environment, the Group remained committed to paying dividends at a level above 90% of its earnings. In 2021, the Group declared four quarterly interim dividends amounting to 98 sen per share, an increase of 18% as compared

to 2020. This was equivalent to a 98% total earnings payout for the year and a dividend yield of 7%, based on the average share price in 2021.

DEBT STRUCTURE

As at 31 December 2021, the Group had a total debt facility of RM850 million, maintained with several licensed financial institutions in Malaysia. The Group continued to utilise revolving credits and bank overdrafts to support its short-term working capital requirements. This flexible debt structure allowed the Group to borrow at optimum levels, thereby minimising financing costs and improving interest deductibility.

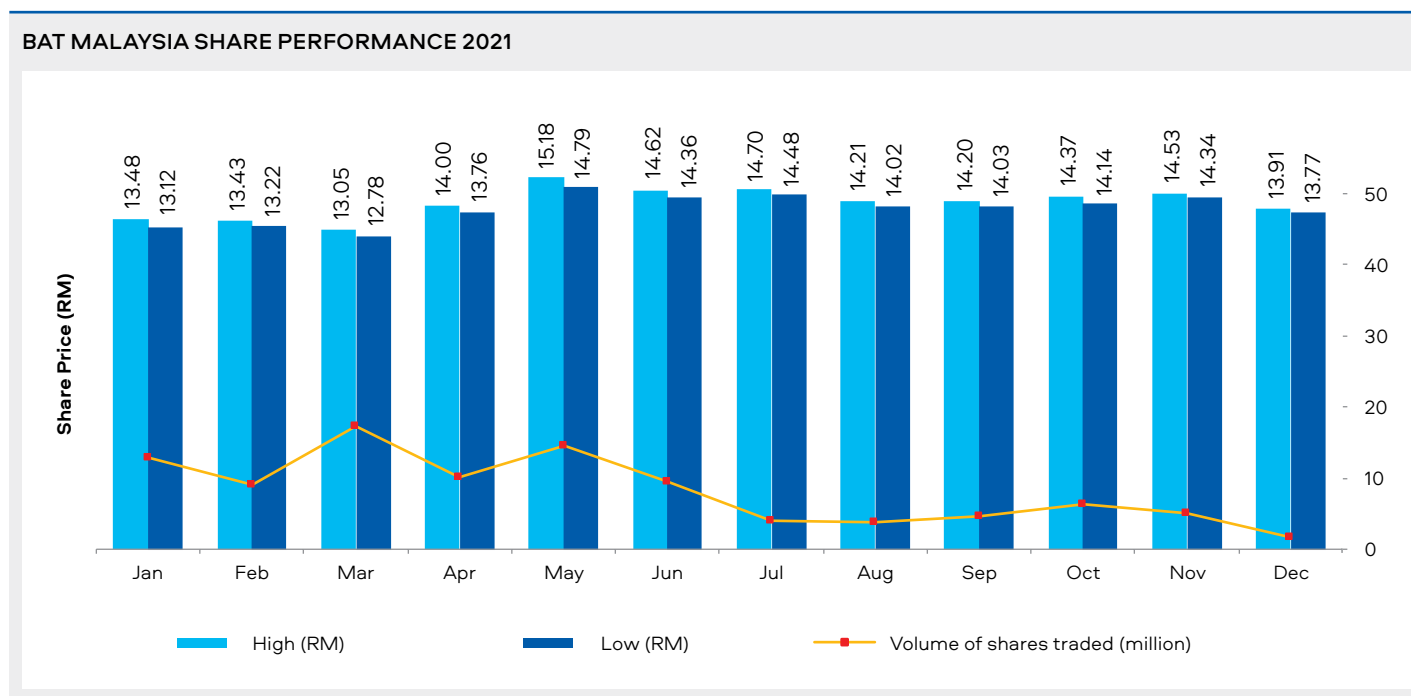
At the end of 2021, the Group had RM775 million of revolving credit with a tenure of one month, compared to RM510 million in 2020, to support higher working capital requirements due to higher sales, higher inventories and prepaid excise duties, ensuring that we were well insulated against any potential supply chain disruptions impacting the business during the unprecedented times of the COVID-19 pandemic.

WORKING CAPITAL AND LIQUIDITY

In 2021, cash from operations recorded a decline of 46% (RM122 million) as compared to 2020. The decrease in cash inflow was mainly due to increase in sales and prepayment of excise duties in view of the pandemic situation to ensure business continuity.

	2020 RM million	2021 RM million
Earnings before Interest, Tax, Depreciation and Amortisation (EBITDA)	359	423
Profit from Operations	346	411
Cash from Operations	264	141
Cash Conversion	73%	34%
Increase/(decrease) in cash and cash equivalents	9	(7)

Finance Director's Review



SHAREHOLDERS' RETURN

The share price of BAT Malaysia was mainly impacted by external factors such as the tobacco black market. The share price saw a stabilisation in 2021 after consecutive years of decline reflecting the improved performance of the company.

Market capitalisation for the Group closed at RM4.0 billion in 2021. The annual dividend yield that the Group generated was estimated at 7%.

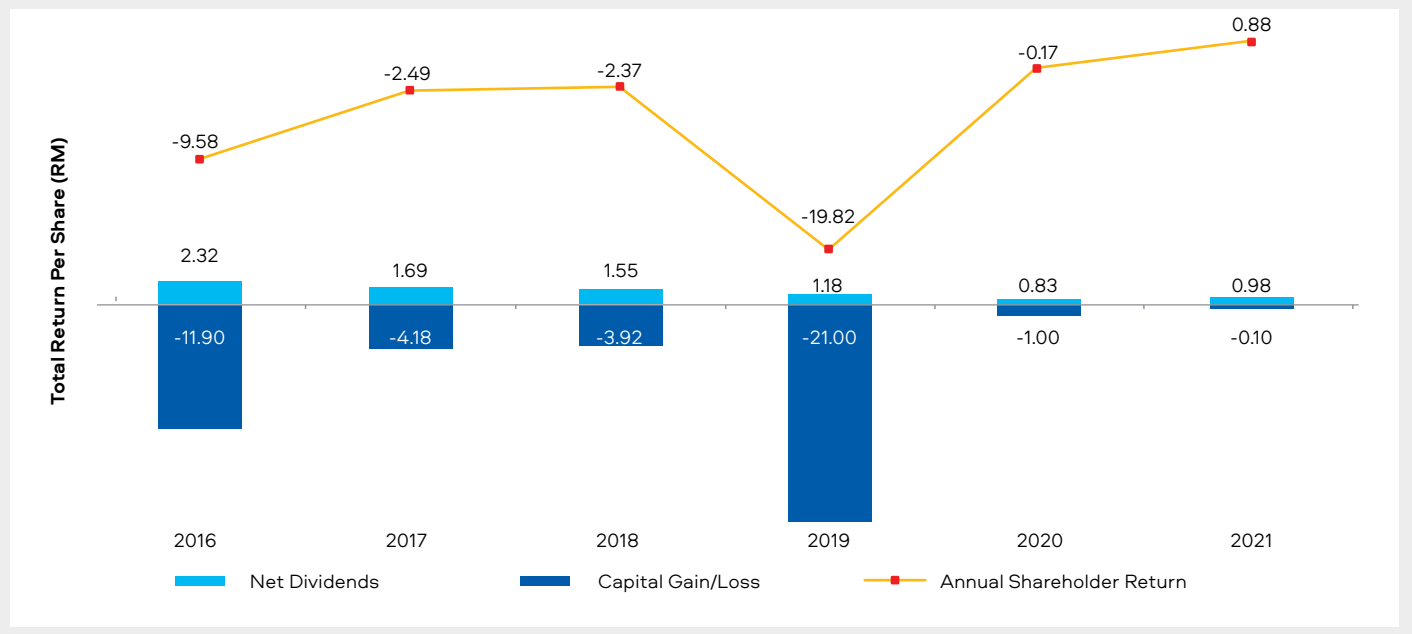
The Group continues to ensure that shareholders' return is maximised via sound strategies, with a focus on continuously building and strengthening a robust brand portfolio, increasing the Group's market share of the legal market and driving further cost efficiencies for delivering growth. Apart from the business, the Group focused on the environmental, social and corporate governance agenda for a sustainable future.

TREASURY

The Group's foreign currency exposure mainly arises from the purchase of finished goods. As part of the Group's treasury policy, foreign currency exposure is minimised by hedging the net exposure for the next 18 months, in line with the hedging period allowed under the Foreign Exchange Control guidelines enforced by Bank Negara Malaysia. The permitted range for the hedge ratio within the 18 months of the transaction date is 50% to 95%. The primary objective of the hedging strategy is to protect shareholder value by minimising the impact of foreign exchange rate fluctuations. This is achieved by layering the hedges monthly within the allowable boundaries set by Bank Negara Malaysia.

Finance Director's Review

SHARE PERFORMANCE 2021



OUTLOOK

2022 will see a continued focus on the Group's purpose of building A Better Tomorrow™, with a particular emphasis on tobacco harm reduction.

In this regard, the Group has been encouraged by the government's announcement in October 2021 that nicotine vapour products will be legalised. The Group calls on the government to pursue a science-based approach to lessen the impact of smoking and to establish a specific regulatory framework for nicotine vapour products. A failure to do so could drive the over one million Malaysians currently vaping to the black market.

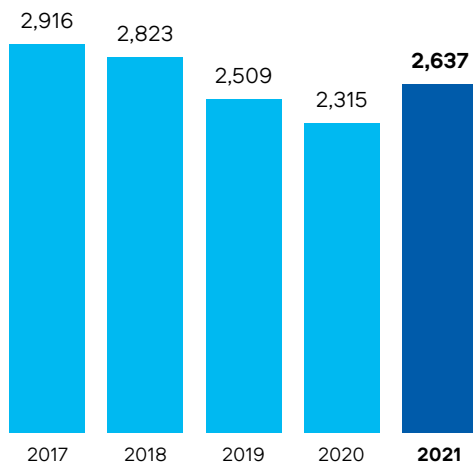
As much as the Group will be focusing on tobacco harm reduction, traditional cigarettes will be at the core of our business for some time. The tobacco black market issue remains at a crisis point, with smugglers now turning to small coastal jetties. The Group urges the government to take the necessary enforcement actions to shut down these channels to further address illegal supplies.

To effectively reduce the tobacco black market, supply restrictions must be complemented with measures that address the affordability pressures that consumers in Malaysia currently face. As such, the Group is hopeful that there will be no tobacco excise increase in Budget 2023. Any increase would further widen the price gap between legal and illegal cigarettes and drive more consumers to the tobacco black market.

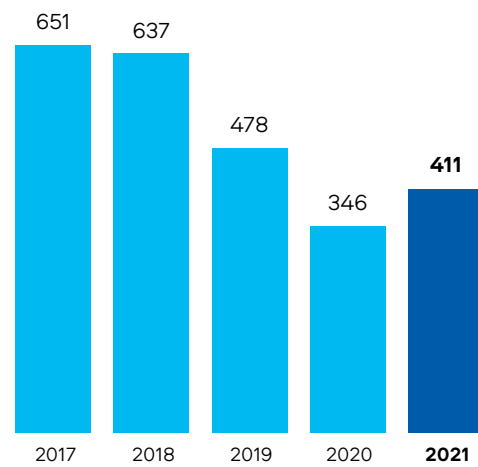
Finance Director's Review

FIVE-YEAR PERFORMANCE HISTORY

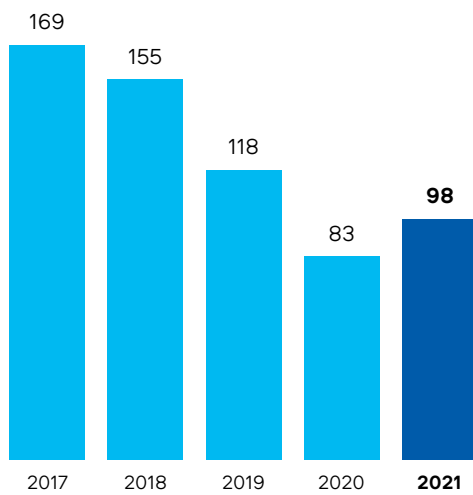
REVENUE (RM MILLION)



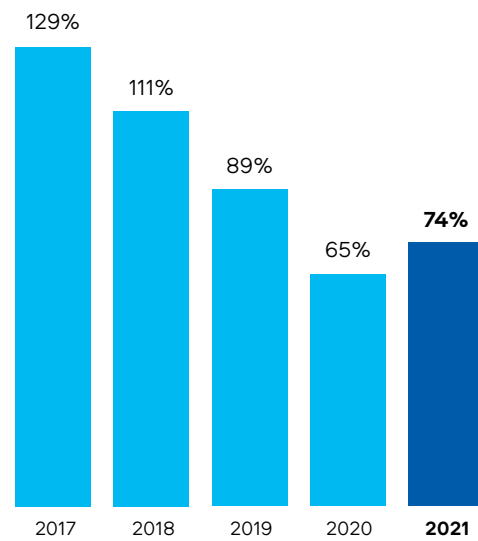
PROFIT FROM OPERATIONS (RM MILLION)



NET TOTAL DIVIDEND PER SHARE (SEN)



RETURN ON EQUITY



Finance Director's Review

FIVE-YEAR PERFORMANCE HIGHLIGHTS

2017

The Group completed the closure of its factory operations in June 2017 and changed its sourcing from local manufacturing to full importation. The Group entered into the VFM segment of the legal market through the launch of Rothmans in October 2017. Tobacco black market levels continued to trend upwards to 59 percent.

2018

It was a stabilising year for BAT Malaysia after consecutive years of double-digit decline. Malaysia saw the historic changeover in government in May 2018, resulting in visible policy changes. The government announced the abolishment of GST and reintroduced SST on 1st September 2018 to address affordability concerns. Following the SST implementation, a price increase of 40 sen per pack of cigarettes took place as the tobacco industry is regulated to pass on tax to consumer price.

2019

The tobacco landscape evolved significantly with the emergence and challenge of illegal vaping and continuous high levels of the tobacco black market. A year after the change of government, the Group did not see any significant action taken to address illegal tobacco as well as affordability issues. As a result, legal tobacco industry was greatly impacted, with the Group registering a 25 percent decline in its operating profit. The Group undertook aggressive cost rationalisation and restructuring measures to achieve a sustainable cost base and profitability level for the future. However, an urgent structural reform was needed in order to secure a sustainable tobacco framework for the industry and legal tobacco companies.

2020

This was an unprecedented year marked by the COVID-19 global pandemic. The tobacco black market and illegal vaping incidence continued to be high at 70 percent of the total nicotine market. Despite these external challenges, the Group had been resilient and showed strong signs of recovery quarter on quarter. Dunhill, our flagship brand, gained share of segment, increasing by 2.2 percentage points. During the year, the Group extended its portfolio with the launch of KYO in the VFM segment to capture a fair share of down traders. KYO's performance was encouraging with 2.8 percent share of the market, achieved within two months of launch. With this new addition to the Group's portfolio, the corporate share of the market increased by 1.1 percentage points versus 2019 to 51.7 percent. It was encouraging to see the government's efforts in setting regulations and enforcement in curbing illegal cigarettes via the Budget 2021 announcement.

2021

This was the second consecutive year of the COVID-19 global pandemic. Despite this, BAT Malaysia produced stellar results, registering volume growth for the first time since 2002 and profit growth for the first time since 2015. Dunhill, our flagship brand, gained market share of 2.1 percentage points, while our KYO brand in the VFM segment has continued to see encouraging response. In the year, we expanded its range with the launch of KYO Switch and KYO Full Flavour. As a whole, the KYO brand has established itself as the fastest-growing modern consideration offer. Altogether, the Group's total market share has grown to 52.4 percent, an increase of 0.8 percentage points from 2020. It is also encouraging to note that the incidence of illicit cigarettes has decreased to 57.7 percent from 63.8 percent in 2020. Lastly, we welcome the Budget 2022 announcement that the Malaysian government intends to legalise the sale of nicotine vapour products, which will help accelerate our own aspirations to reduce the health impact of our business.

Sustainability



Our ability to create sustainable value for our stakeholders entails taking a holistic approach that considers what is most material to us and implementing the right strategies to overcome risks and capture opportunities to drive long-term business growth.

- 
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 - 34 How We Assess Materiality
 - 35 Listening to Our Stakeholders
 - 36 Harm Reduction
 - 37 Environment
 - 47 Social
 - Workforce
 - Accelerating Tomorrow's Leaders
 - Investing in Leaders
 - Diversity & Inclusion
 - Attracting & Retaining the Best Talent
 - Workforce Engagement
 - Recognising & Rewarding Talent
 - Workplace
 - Human Rights
 - Community
 - Social Investment

Our Approach to Sustainability

BAT Malaysia's purpose is to build A Better Tomorrow™. We are doing this by placing sustainability at the front and centre of everything that we do. We believe this will create shared value for our business partners, consumers, employees, shareholders and society as a whole.



MISSION

Build A Better Tomorrow™ through a strategy that:

- Reduces the health impact of our business
- Champions environmental, social and governance excellence



GOALS



Best-in-class
within BAT p.l.c. Group



Leading
consumer product
and services company
referencing Bursa
Malaysia FTSE Russell
ESG Ratings



Recognised
for sustainability
initiatives

Our Approach to Sustainability

Our sustainability strategy has four elements; **HARM REDUCTION**, **ENVIRONMENT**, **SOCIAL** and **GOVERNANCE**. These are explained in the infographic below.



Harm Reduction

Building A Better Tomorrow™ by reducing the health impact of our business and offering less risky products for our consumers. BAT Malaysia supports the Government's legalisation of nicotine vapour products and the establishment of scientifically-based regulations for this category by:

- providing consumers with less risky alternatives
- harnessing world leading research
- raising industry standards for nicotine vapour products within a regulated marketplace
- supporting the establishment of appropriate regulations for reduced-risk* products such as nicotine vapour



Environment

Building A Better Tomorrow™ through executing excellence in environmental management by targeting to:

- increase the amount of renewable energy we source to 30%
- achieve carbon neutrality across Scopes 1 & 2
- reduce waste generated by 15%
- recycle at least 95% of the waste generated
- ensure zero waste to landfill from the operation sites
- eliminate unnecessary Single-Use packaging

BUILDING A BETTER TOMORROW™: OUR FOCUS AREAS



Social

Building A Better Tomorrow™ to deliver a positive social impact by targeting to:

- execute high value and high impact community social investment programmes
- attract and retain an increasingly diverse workforce and providing a welcoming, inclusive working environment
- focus on providing a fair and inclusive workplace to our people
- focus on driving ownership and accountability, building diverse talent pipelines and creating enablers



Governance

Building A Better Tomorrow™ through observing robust corporate governance by:

- ensuring business objectives are achieved in a responsible and ethical manner in accordance with high standards of integrity, transparency and accountability
- ensuring compliance with local laws, governance best practices and internal policies
- aligning our strategies with the UN Sustainable Development Goals and key elements of the 12th Malaysia Plan
- benchmarking our ESG performance against the Bursa Malaysia FTSE Russell ESG Ratings

Note: BAT Malaysia aims to achieve the targets for Social and Environment by 2025.

* Based on the weight of evidence and assuming a complete switch from cigarette smoking. These products are not risk-free and are addictive.

Sustainability Governance

Sustainability at BAT Malaysia is governed by a Sustainability Committee (SC). Chaired by Independent Non-Executive Director, Norliza Kamaruddin, the Committee oversees the organisation’s sustainability agenda in environmental, social and governance excellence. It is supported by a Chief Sustainability Officer to manage sustainability strategically, including the integration of sustainability practices into the operations of BAT Malaysia.

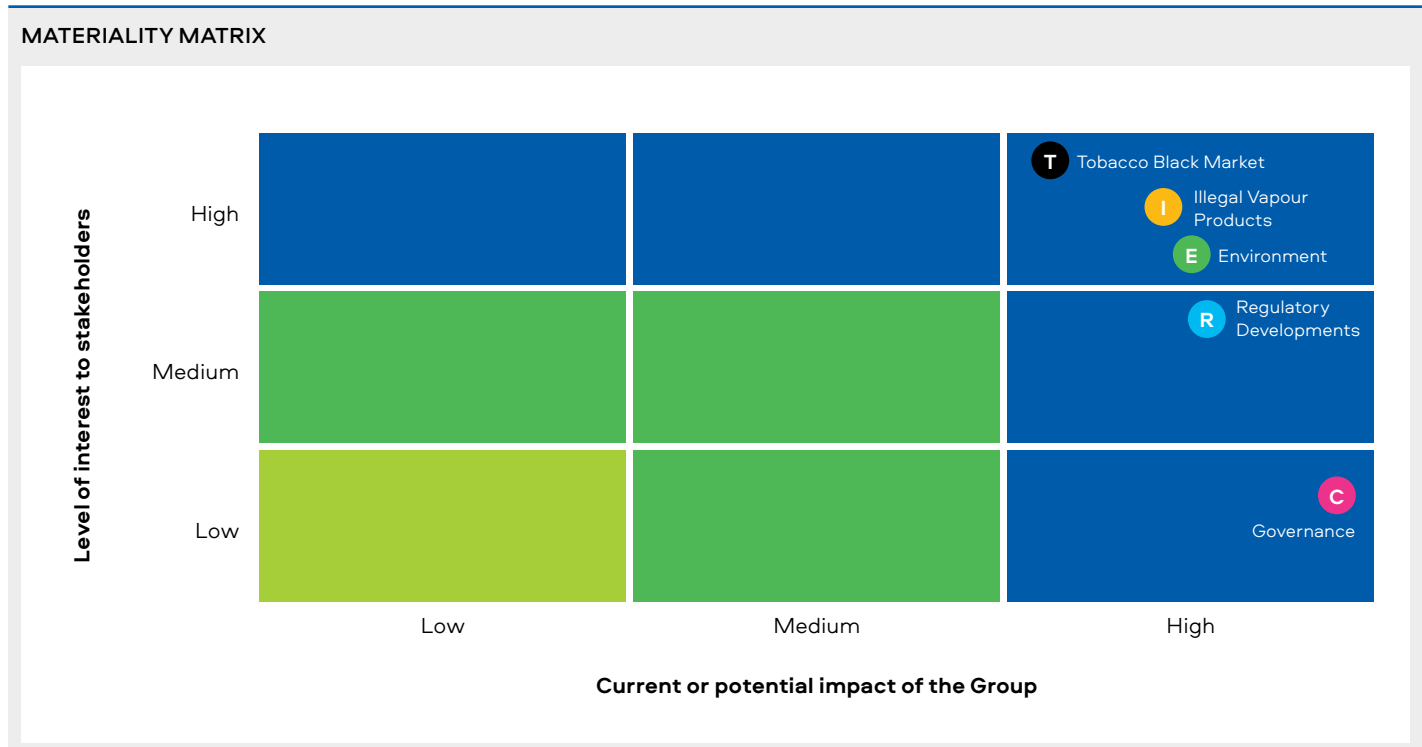
For more information on BAT Malaysia’s sustainability governance and the Sustainability Committee, refer to Commitment to Strong Governance in this Report.

How We Assess Materiality

MATERIAL MATTERS

Understanding our material matters is critical to the sustainability of our business. The Group has identified seven material matters and prioritised five which are most important to us. The matters were determined following engagement with our stakeholders and were further assessed for their current and potential impact to the Group. The prioritised matters are:

- T** Tobacco Black Market
- I** Illegal Vapour Products
- E** Environment
- R** Regulatory Developments
- C** Governance



Listening to Our Stakeholders

ENGAGEMENT WITH STAKEHOLDERS

Engaging with our stakeholders to understand their needs and concerns is crucial to meeting our aspirations of building A Better Tomorrow™. By addressing the concerns of our stakeholders, we will be able to deliver long-term sustainable value as we align our business to also consider what is important to them. Our stakeholders comprise regulators, consumers, employees, investors, community members, business associates, NGOs and the media.

These are:

Stakeholders	Engagement Platforms	Issues	How We Addressed
Regulators	<ul style="list-style-type: none"> Public consultations Regular meetings 	<ul style="list-style-type: none"> Tobacco black market New Category products Tobacco control regulations 	<ul style="list-style-type: none"> Two-way dialogue and information sharing related to the tobacco black market and its impact to government, society and industry Two-way dialogue and information sharing related to New Category products Two-way industry led dialogue on tobacco control regulations
Consumers	<ul style="list-style-type: none"> Customer service channels Corporate email Corporate website Company press releases 	<ul style="list-style-type: none"> Product information Tobacco black market New Category products 	<ul style="list-style-type: none"> Full time call centre that attends to consumer queries and provide necessary information to keep consumers updated Public awareness initiatives to educate the public on the tobacco black market and New Category products
Employees	<ul style="list-style-type: none"> Your Voice Engagement Survey Multiple internal engagement channels (monthly townhall sessions, annual corporate sessions) Leadership forums with extended and middle management Inter-departmental corporate "Away Days" 	<ul style="list-style-type: none"> Career planning and development Fair and transparent rewards Active engagement process across the organisation by Management team 	<ul style="list-style-type: none"> Results from bi-yearly employment engagement survey incorporated into talent strategy Various platforms to engage all employees
Investors and Analysts	<ul style="list-style-type: none"> Annual General Meeting Annual Report Quarterly analyst briefings Corporate website Company press releases 	<ul style="list-style-type: none"> Corporate strategy and financial performance Corporate governance and compliance Tobacco black market New Category products 	<ul style="list-style-type: none"> Key briefings conducted to analysts and investors on business performance, business strategy and business issues through the year Regular engagements with analysts
Media	<ul style="list-style-type: none"> Press conferences Media interviews and events Formal and informal briefings 	<ul style="list-style-type: none"> Corporate strategy Financial performance Products and services Tobacco black market New Category products 	<ul style="list-style-type: none"> Regular media engagements conducted to provide updates on business performance and strategy, products and services, and address issues of consumers' concerns
Business Partners, Community & NGOs	<ul style="list-style-type: none"> Engage and support business partners, corporates and NGOs in addressing issues in the community 	<ul style="list-style-type: none"> Ensuring our business partners are updated and comply with the latest regulations and standards Empowering underprivileged and economically vulnerable communities Providing fair participation in the digital world whilst reducing e-waste Enabling fair access to education opportunities Environmental, Health and Safety (EHS) best practices 	<ul style="list-style-type: none"> We conducted briefings, information sharing as well as training with business partners to ensure compliance with regulations and standards BAT Malaysia continued its partnership with the MyKasih Foundation under their Food Aid Programme which aims to alleviate the burden of the B40 communities

Harm Reduction



In our bid to build A Better Tomorrow™, we are committed to focus on harm reduction as the way to reducing the health impact of our business by investing in and offering less risky products for our consumers.

We are committed to:

- ▶ **Providing consumers with less risky alternatives such as nicotine vapour products**
- ▶ **Raising industry standards for nicotine vapour products within a regulated marketplace**
- ▶ **Harnessing world-leading research**
- ▶ **Supporting the establishment of appropriate regulations for tobacco harm-reduced products such as nicotine vapour products**



We are encouraged by the Government's legalisation of nicotine vaping products and will continue to support specific, science-based regulations. This will enable the over one million Malaysians currently vaping to access products of known quality and standards. Such an environment exists in the likes of the United Kingdom and New Zealand.

The Key Enablers for Harm Reduction

We are clear that robust science, deep consumer insights and innovation are all essential for tobacco harm reduction to be successful.



Consumer choice

Smokers are most likely to switch to New Category products when they find one that satisfies their own preferences.



World-class science

Consumers and regulators want robust scientific evidence that supports the quality, safety and reduced-risk potential of New Category products.



Standards and regulations

The wide availability of New Category products depends on having the right regulatory and market conditions, as well as high standards and responsible industry practices.

Environment



Building A Better Tomorrow™ encompasses excellence in environmental management.

We are a committed organisation that understands the environmental impact of our business activities and hence, are devoted in reducing the impact across our entire supply chain.

Our environmental management practices are guided by local law and regulations and the BAT p.l.c. Group's Environmental,

Health and Safety Policy, which aim to apply the best international standards and practices in all aspects of operations throughout the BAT p.l.c. Group. This policy is supported by a comprehensive Environment, Health and Safety (EHS) management system that is benchmarked against international standards including the ISO14001.

To ensure efficient management of our environmental impacts, we utilise the CR360 system, a software tool that allows us to easily collect, manage and communicate our EHS, sustainability and supply chain information.

BAT Malaysia's EHS management system is in accordance with the principles of the Environmental Quality Act 1974 and the BAT p.l.c.'s Global EHS Policy*. We will:

- 1 Comply with all legal and regulatory requirements governing environmental management where we operate.
- 2 Implement environmental management practices internally (often more stringent than the legal requirements where we operate) and monitor compliance to them.
- 3 Establish procedures for assessing and reviewing the environmental, health and safety impacts of present and future activities on a regular basis.
- 4 Continually seek to identify proactive and cost-effective measures which we can take to safeguard the health and safety of our employees and non-company personnel on our company premises and the physical environment.
- 5 Monitor our performance through a set of key metrics and set targets for continuous improvement and publish our targets and performance annually through our Sustainability Report.
- 6 Educate our stakeholders including employees, suppliers and service providers to reduce the negative impacts of our products and services across the total lifecycle and share good practices on environmental management.
- 7 Incorporate environmental considerations in our product design through the use of Sustainability Business Assessments (SBA) and Product Lifecycle Analysis (PLA).
- 8 Work closely with key stakeholders to understand emerging issues, and regulatory or societal expectations to develop effective and sustainable solutions to the environmental challenges we face.

*For more information on BAT p.l.c.'s Global EHS Policy, please refer to <https://www.bat.com/ehs>.

Environment

In 2021, BAT initiated a global ESG campaign to further strengthen the Group’s commitment to accelerating the environment agenda.

“A Better Tomorrow™” for the environment means...

Driving excellence in...

- ▶ Climate change**
- ▶ Sustainable agriculture**
- ▶ Water and waste management**
- ▶ Circular economy**

Setting even more ambitious goals and stretching targets...

Achieving carbon neutrality (Scopes 1 & 2*) by 2030

Delivering our environmental targets earlier, by 2025

Eliminating unnecessary single-use plastic (SUP) packaging by 2025

Zero waste to landfill by 2025

* Scope 1 represents direct emissions from fuel used by our sites or fleet
* Scope 2 reflects indirect emissions from purchased electricity, steam and hot water

BAT Malaysia’s EHS approach is anchored on four ESG pillars:

<p>Renewable Energy</p>	<p>Fuel Efficiency & CO₂ Emissions</p>	<p>Eliminating Unnecessary Single-Use Plastics (SUP)</p>	<p>Zero Waste to Landfill</p>
<p>Target: 30 PERCENT RENEWABLE ENERGY BY 2025</p> <ul style="list-style-type: none"> ● Investment on solar power system to generate renewable energy on-site for factory and warehouse operations ● Investment to support renewable energy projects within Malaysia managed by the i-REC Standard Foundation 	<p>Target: CARBON NEUTRAL BY 2030</p> <ul style="list-style-type: none"> ● Transforming the entire company car fleet to hybrid or EEV (energy efficient vehicles) models ● Collaborating with renowned OEM for the use of fully electrical vehicles ● Partnering with Shell Malaysia on various carbon neutral forestry campaigns 	<p>Target: ELIMINATE UNNECESSARY SUP PACKAGING BY 2025</p> <ul style="list-style-type: none"> ● Alternative packaging materials being developed for implementation in phases 	<p>Target: ZERO WASTE TO LANDFILL BY 2025</p> <ul style="list-style-type: none"> ● Collaborate with the Department of Environment (DoE) on the management of non-recyclable waste for energy recovery ● Collaborating with Business Partners on the reprocessing of food waste as animal feed

Environment

CLIMATE CHANGE

BY 2030

- ▶ **Renewable Energy:**
Committed to shifting 30% of our energy consumption to green energy
- ▶ **Carbon Neutrality:**
Achieving carbon neutrality across Scopes 1 & 2



BAT Malaysia has set a clear ambition and absolute targets for the reduction of emissions across all its business units. Structures and processes are in place to conduct robust reviews on initiatives pertaining to the environment key performance indicators.

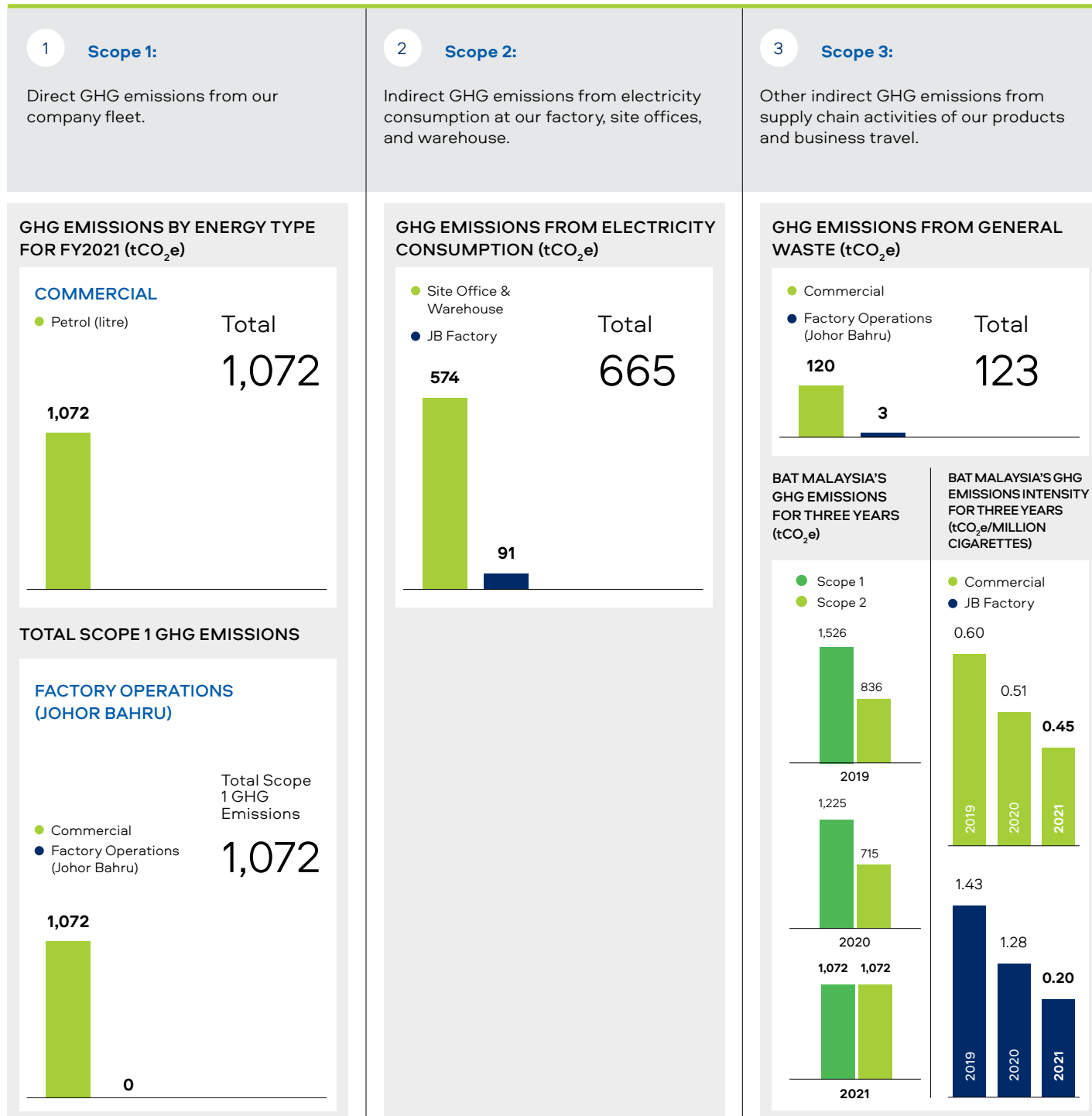
In 2021, our factory operations in Johor Bahru achieved carbon neutrality.



Environment

The main contributors to our greenhouse gas (GHG) emissions are our factory, fleet and electricity usage. In the year 2021, we achieved a reduction in our total carbon emissions by 10.5% compared to previous year. This was mainly due to various initiatives, including the restructuring of our business model and energy-saving campaigns.

Our GHG emissions disclosures are as follows:



Environment

ENERGY

BAT Malaysia strives to achieve efficient energy consumption across its operations to manage and improve its carbon footprint. In 2019, our Head Office was LEED (Leadership in Energy and Environmental Design) certified, which endorses that our offices' design and operations are environmentally responsible.

Further to this, we continuously implement energy-saving initiatives, which are focused on reducing energy consumption, such as upgrading office facilities and equipment with energy-saving specifications as well as installing LED lightings and timers for all lightings. Plans are in progress to install solar power systems off-site in the central warehouse and factory, use hybrid vehicles and equip the Company's fleet with a telematics system to further enhance the driving behaviour of all our staff to ensure fuel efficiency.

We are also tracking energy consumption outside our organisation, which includes business travel and transportation of goods via sea, road and air freight. In FY2021, our total energy consumption was 11,505.79 gigajoules, a decrease of 16 percent due to energy-saving initiatives and the effects of the pandemic.

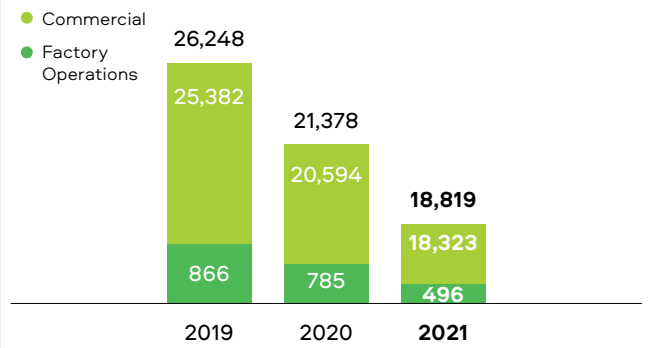
➔ For more information on telematics, please refer to Occupational Safety and Health on page 60.



TOWARDS CLEANER ENERGY

In Q4'2021, installation work for a solar photovoltaic (PV) system began at our JB factory. The system will be able to generate 93.2 kWh of green energy, equivalent to 60% of the factory's electricity consumption. The next phase will focus on the installation of solar power systems in our central warehouse by 2025.

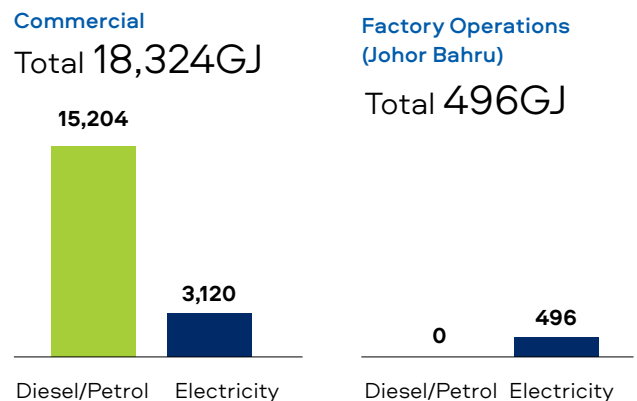
DIRECT ENERGY CONSUMPTION WITHIN THE ORGANISATION (GIGAJOULES)



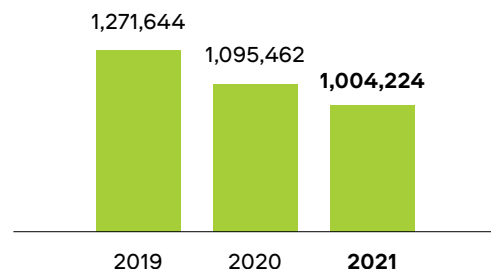
Notes:
 Normalised energy for commercial is 5.87 gigajoules/million cigarettes equivalent.
 Normalised energy for factory operations is 8.167 gigajoules/million cigarettes equivalent.

ENERGY CONSUMPTION BY SOURCE FOR FY2021

NON-RENEWABLE SOURCES



ELECTRICITY CONSUMPTION FOR THREE YEARS (kWh)



Environment

WATER

While our industry is not water-intensive, we are cognisant of our role and responsibility in ensuring efficient water consumption.

Our water conservation efforts include:

- Reducing water consumption across our operations;
- Reducing water wastage by identifying and fixing leakages; and
- Increasing the volume of reusable water through water recycling schemes such as rainwater and stormwater harvesting.

In general, our water source is supplied by the local municipal and through rainwater harvesting (particularly at the JB Factory). Neither of these impact the six sites designated under the Ramsar List of Wetlands of International Importance in Malaysia. BAT Malaysia does not operate in water-stress areas and shared water resource locations. In the year 2021, our water consumption was 969 m³ – this decreased by 38 percent compared to the previous year. We comply with the local Department of Environment's regulations by discharging our wastewater via public waterways and local municipal facilities.



RAINWATER HARVESTING SYSTEM IN JOHOR BAHRU

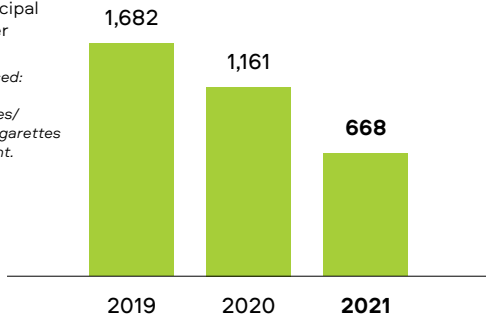
In 2021, we installed a rainwater harvesting system in our factory for reduction of water withdrawal by up to 65%. The harvested rainwater is used for general cleaning, upkeep of landscape and lavatory flushing. Furthermore, the system's four-level filtration enables the water produced to also be consumed as drinking water.

Environment

WATER WITHDRAWAL BY SOURCE FOR THREE YEARS (m³)

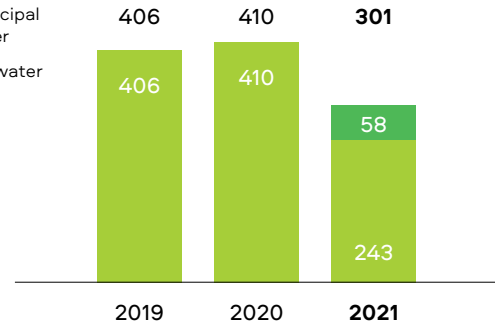
COMMERCIAL

● Municipal Water
Normalised: 0,0003 megalitres/ million cigarettes equivalent.



FACTORY OPERATIONS (JOHOR BAHRU)

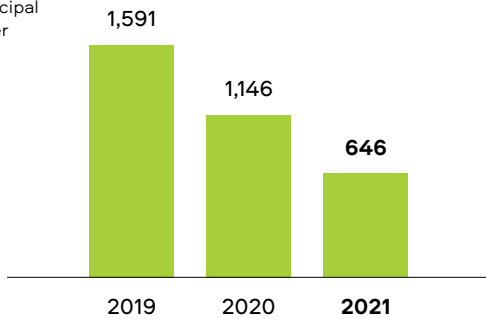
● Municipal Water
● Rainwater



WATER DISCHARGE BY DESTINATION (m³)

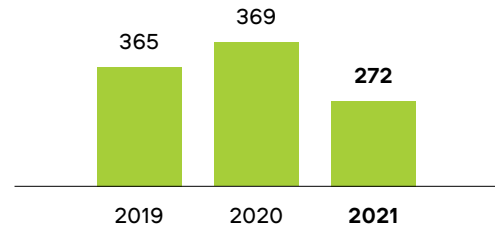
COMMERCIAL

● Municipal Water

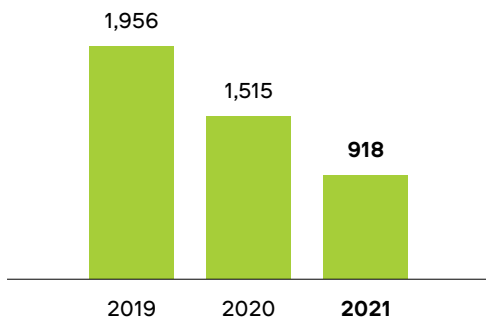


FACTORY OPERATIONS (JOHOR BAHRU)

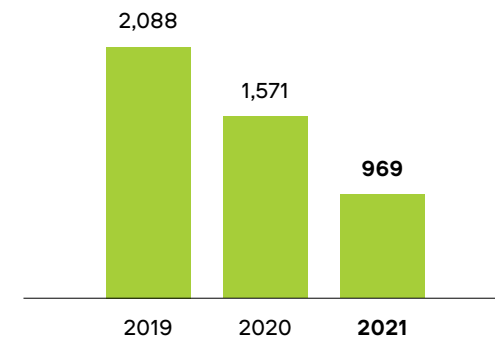
● Municipal Water



WATER DISCHARGE FOR THREE YEARS (m³)



WATER CONSUMPTION FOR THREE YEARS (m³)



Environment

WASTE

WASTE REDUCTION

BY 2025:

► General Waste

- Reducing waste generated by 15%
- Recycling at least 95% of the waste generated
- Ensuring zero waste to landfill from the operation sites

► Single-Use Plastics (SUP)

- Eliminating unnecessary SUP packaging
- Developing alternative packaging materials for implementation in phases



BAT Malaysia also practises the 3R waste management standard, which aims to reduce generated waste, reuse materials where practical, and recycle.

BAT Malaysia's Waste Management Hierarchy



Reduce



Reuse



Recycle

Environment

We comply with the Department of Environment’s (DoE) regulations on waste management and rigorously practice the methodology outlined by the global Integrated Work System (IWS) to reduce material waste.

Our hazardous waste disposal is managed by appointed licensed contractors certified by DoE, whereas our non-recyclable waste is sent for incineration for energy recovery. In 2021, our waste generated was 45% lower than the previous year, which was mainly contributed by the various waste reduction programs.

WORLD ENVIRONMENT DAY

BAT Malaysia focused on driving awareness on single-use plastics among employees in conjunction with World Environment Day.



EXHIBITION BOOTH

An exhibition booth was set up at Head Office to improve our employees’ knowledge of SUP and how to avoid or reduce SUP usage.



MYSTERY GIFT

Mystery gifts of reusable lunch boxes and water bottles were given out to office employees and site workers to encourage them to reduce SUP usage.

WORLD ENVIRONMENT DAY – SUP RECYCLING CAMPAIGN & CLINICAL BIOHAZARD WASTE DISPOSAL AWARENESS



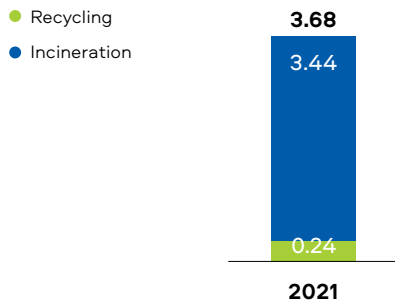
Environment

WASTE REDUCTION CAMPAIGN 2021

This one-month campaign was carried out to educate and create awareness among BAT Malaysia employees. With a three-pronged focus on waste – bio/medical waste (COVID-19 home test kits and disposable masks), SUP and e-waste – the campaign featured workshops focusing on proper disposal and recycling methods.

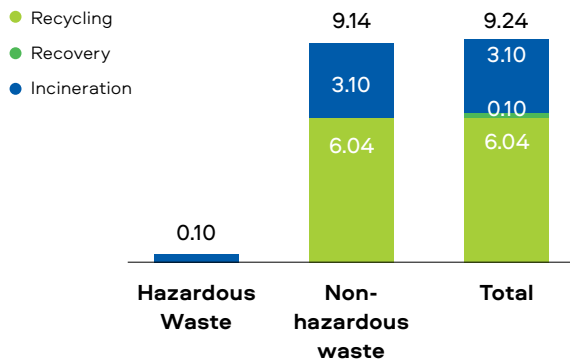
WASTE BY TYPE AND DISPOSAL FOR FY2021 (TONNES)

COMMERCIAL – NON-HAZARDOUS WASTE (TONNES)

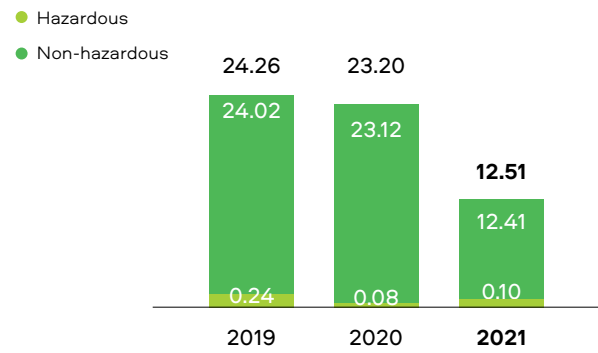


There was no hazardous waste under commercial.

FACTORY OPERATIONS (JOHOR BAHRU)



WASTE GENERATED FOR THREE YEARS (TONNES)



CUT-RAG TOBACCO WASTE

Replacing all worn out parts and keeping to the maintenance schedule helped to improve machine efficiency and reduce the build-up of rejection waste. Minimising spec loss translated to an achievement of 5.09% tobacco waste reduction, which is 4.91% above our target.

Social



The Social pillar of our sustainability activities is anchored on engagement with our workforce and the local communities in which we operate. Between these stakeholder groups, we have identified the following aspects for our own workforce:

WORKFORCE

- ▶ Accelerating Tomorrow’s Leaders
- ▶ Investing in Leaders
- ▶ Diversity & Inclusion
- ▶ Attracting & Retaining the Best Talent
- ▶ Workforce Engagement
- ▶ Recognising & Rewarding Talent

ACCELERATING TOMORROW’S LEADERS

In line with our goal of delivering A Better Tomorrow™, our employee culture embraces our Ethos of being bold, fast, empowered, diverse and responsible. These, in turn, nurture a future-ready mindset at BAT Malaysia which contributes long-term value to our organisation.

We are BOLD

- Dream big – with innovative ideas
- Make tough decisions quickly and proudly stand accountable for them
- Resilient and fearless to compete

We are FAST

- Speed matters. Set clear direction and move fast
- Keep it simple. Focus on outcomes
- Learn quickly and share learnings

We are EMPOWERED

- Set the context for our teams and trust their expertise
- Challenge each other. Once in agreement, we commit collectively
- Collaborate and hold each other accountable to deliver

We are DIVERSE

- Value different perspectives
- Build on each others’ ideas, knowledge and experiences
- Challenge ourselves to be open-minded recognising unconscious bias

We are RESPONSIBLE

- Take action to reduce the health impact of our business
- Ensure the best quality products for our consumers, the best place to work for our people, and the best results for shareholders
- Act with integrity, never compromising our standards and ethics

Guided by this philosophy, we have put in place measures throughout the employment journey from hiring to departure, to attracting and retaining the best talent as well as contributing to the Malaysian talent pool. We also implement robust employee development to enrich the employee experience as well as health and safety measures to safeguard their wellbeing during their time with us.

Social

INVESTING IN LEADERS

We see leadership development as crucial to our achievement of a high-performance culture and have introduced various interventions to accelerate talent and leaders of tomorrow. Investing in development and upskilling our employees is pertinent to the sustainability of our organisation. During the pandemic, we adapted a virtual approach without compromising the quality and effectiveness of our content.

We have put in place the following leadership development programmes to nurture our future leaders:

LEAP: A framework of active coaching and development which focuses on assimilating talent with our organisation's culture, fostering their leadership capabilities towards accelerating their leadership development including online performance assessments; all undertaken through a consistent talent cycle to ensure talent-pool readiness.



The GRID: Our one-stop digital learning platforms house a myriad of learning content that caters to different development needs. This interactive platform incorporates an on-demand learning interface, where users are able to access their learning content at their convenience. Today, we have a 100% usage rate with over 164 active users in 2021 and approximately 2,318 of learning hours spent on The GRID.



Leadership Training: We continued the momentum that we had built in the previous year, by curating a series of leadership programmes to further accelerate leadership capabilities such as *Leading Self*, *Leading Teams*, *Made@BAT*, *Gearing Up for Global Leadership* and *Women in Leadership*, to name a few. We also piloted an outside-in mentoring programme for female talents in the organisation.



Functional Learning Huddle: Functional learning huddles were introduced to cultivate the learning culture within the organisation with the goal of creating a conducive learning platform for employees to share learnings with peers within their own functions.



Social

Global Graduate Programme: The 18-month global graduate programme selects the best and brightest talents from thousands of applicants every year to explore the different aspects of our business. The programme is designed to nurture young talents to become future leaders in the organisation. In 2021, we selected three young talents from a pool of 2,000 applicants for our Global Graduate Programme.



Commercial Capabilities Upskilling: We accelerated the capabilities of our National Sales team in line with our new Route-to-Market model. We conducted 14 sessions, equivalent to an average of 32 hours per employees' worth of RtM training, which included new ways of working and commercial capabilities upskilling.

We also continued to enhance the digital capabilities of our National Sales Team, where they were trained on technology, internal systems fluency, and data insights.

Further training in the areas of organisational and management skills, and effective data management were prioritised to ensure we are able to continuously meet our customers' evolving needs.



Investing in our People

We accelerated our transformation to create the Enterprise of the Future, underpinned by our purpose to build A Better Tomorrow™. We have a clear vision to transform and deliver sustainable growth. In building strong foundations for the future, we invested in a brand-new uniform, new tool-of-trade vehicles and digital tools for our National Sales Team. These changes helped us deliver a refreshed National Sales Team identity, and our employees felt motivated and supported in their daily challenges on the job.

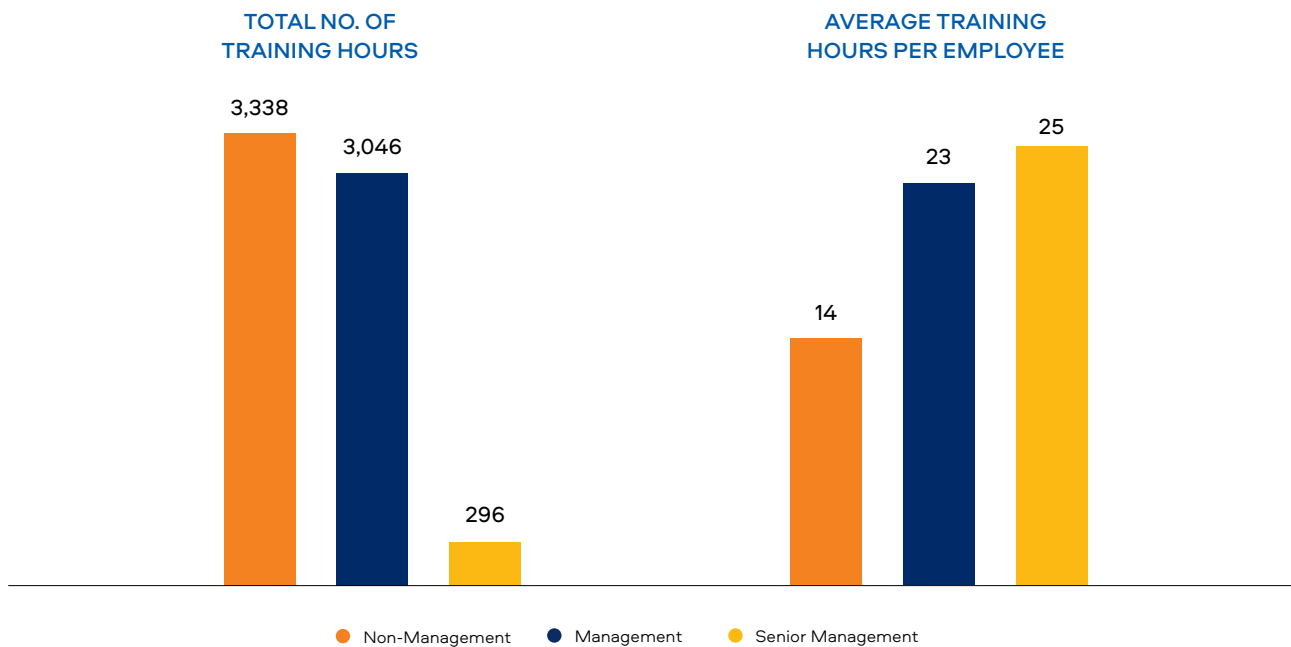


Social

We also continued to invest in training our general workforce throughout the year to ensure our employees remain equipped with the relevant capabilities to enable a high performing culture and future-fit organisation. The total training hours received are recorded as follows:



TOTAL TRAINING HOURS BY EMPLOYEE CATEGORY



DIVERSITY AND INCLUSION

Diversity & Inclusion (D&I) is a big agenda for the business and is one of the Ethos values that we stand for at BAT. Our commitment has been recognised as BAT is the first tobacco company to globally achieve both the National Equality Standard (NES) and the Global Equality Standard (GES). The certifications are testament to our future-fit D&I strategy, our focus on mental health and wellbeing, the development of D&I capabilities across the organisation, and that we have functional champions and leads who drive D&I across the business.



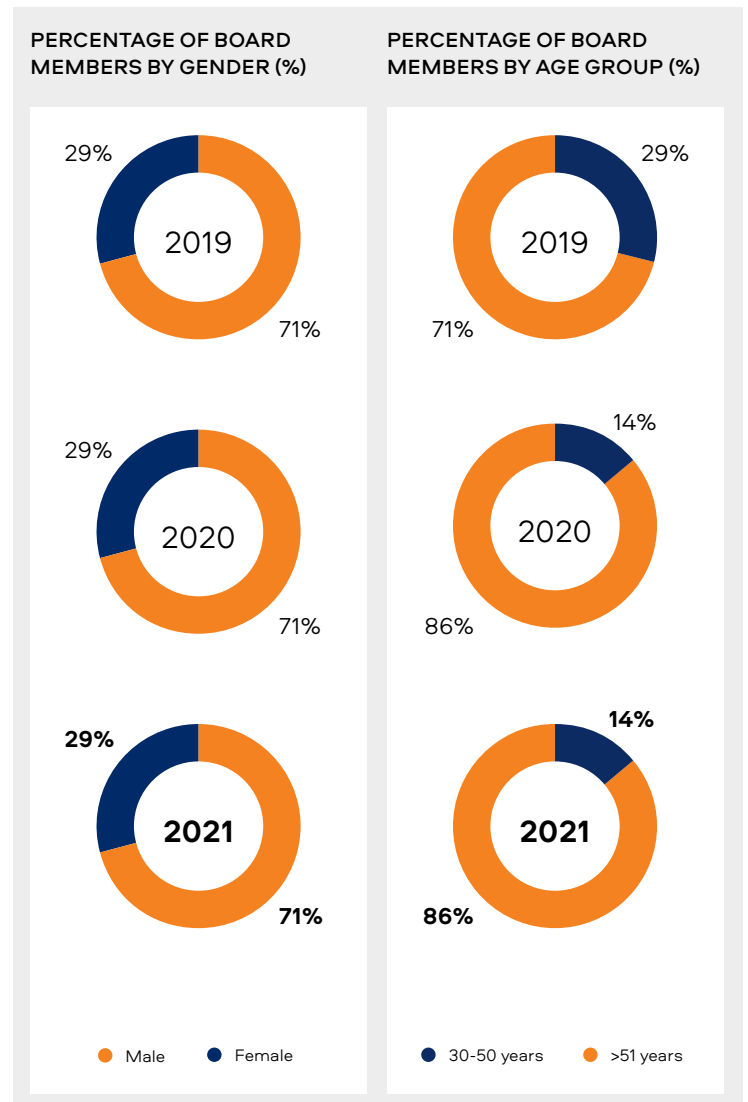
NON-DISCRIMINATION

The Respect in the Workplace section of our Standards of Business Conduct (SoBC) outlines our commitment to treating all our colleagues and business partners inclusively, with dignity and respect. Specific provisions on promoting equality and diversity, as well as preventing harassment and bullying, are also included to deter discrimination at our workplace. The SoBC highlights the Group Whistleblowing Procedure that serves as a grievance mechanism for our employees to report on any discriminatory incidents without fear of reprisals or repercussions. In the year under review, there were zero reported cases of discrimination.

➔ For more information on the Group's SoBC and Group Whistleblowing Procedure, please refer to the Corporate Governance Overview Statement on page 91.

Diversity on Our Board

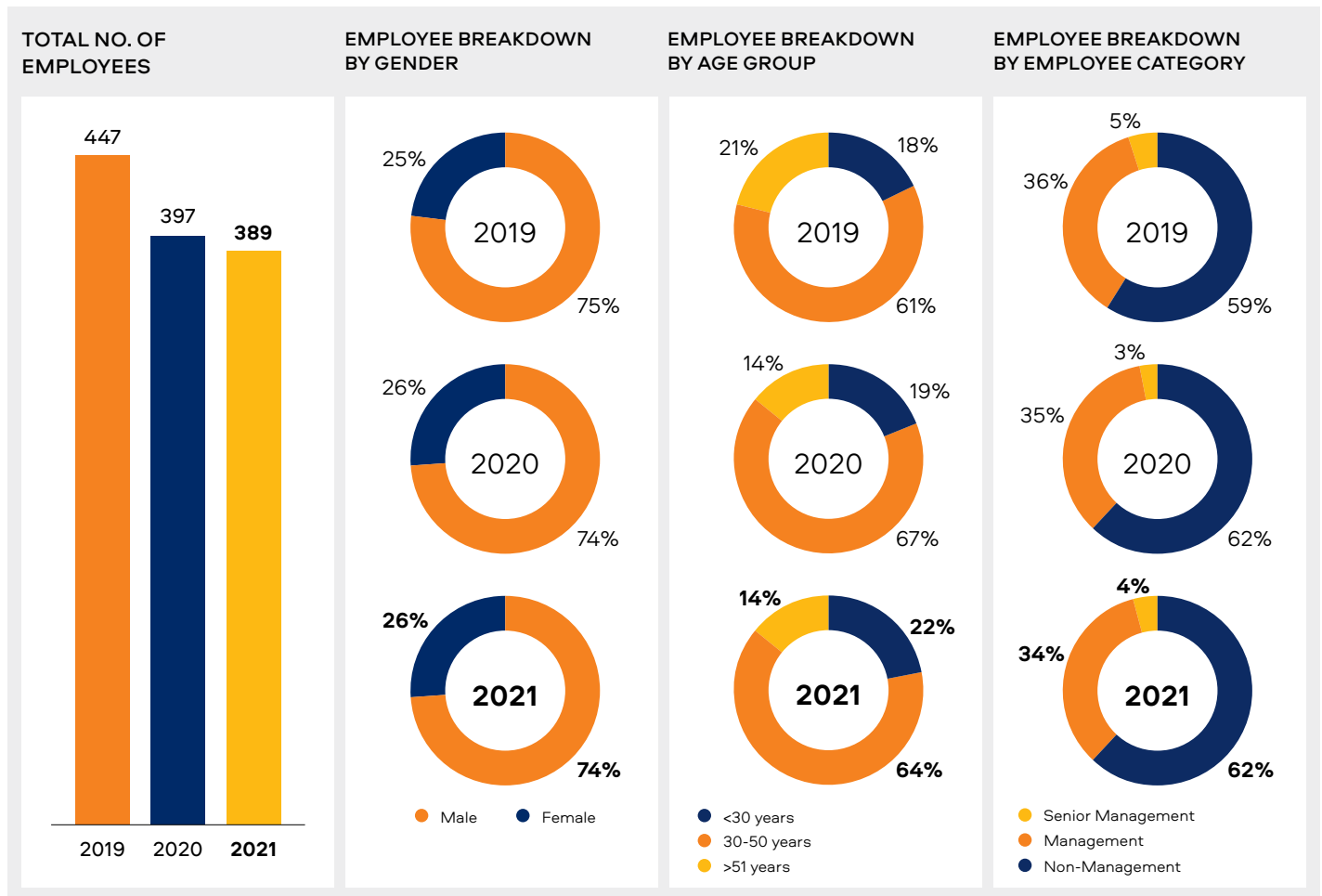
Driven by the D&I strategy, we strive to promote female leadership across the organisation. Exemplifying the value we place on D&I, diversity at BAT Malaysia starts at the top, where 29% of our Board members are women.



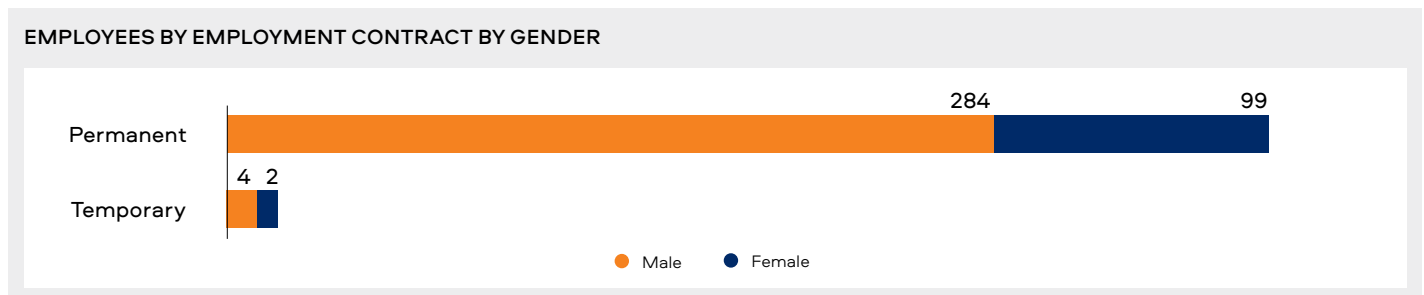
Social

BAT Malaysia's Workforce

Our approach to diversity is embedded throughout our organisation, which benefits from the diverse value of employee skill sets, experience and perspectives. We hire and promote based on merit and credibility, regardless of gender, age, nationality, ethnicity and religion. The diversity of our workforce is reflected in the following employee data:



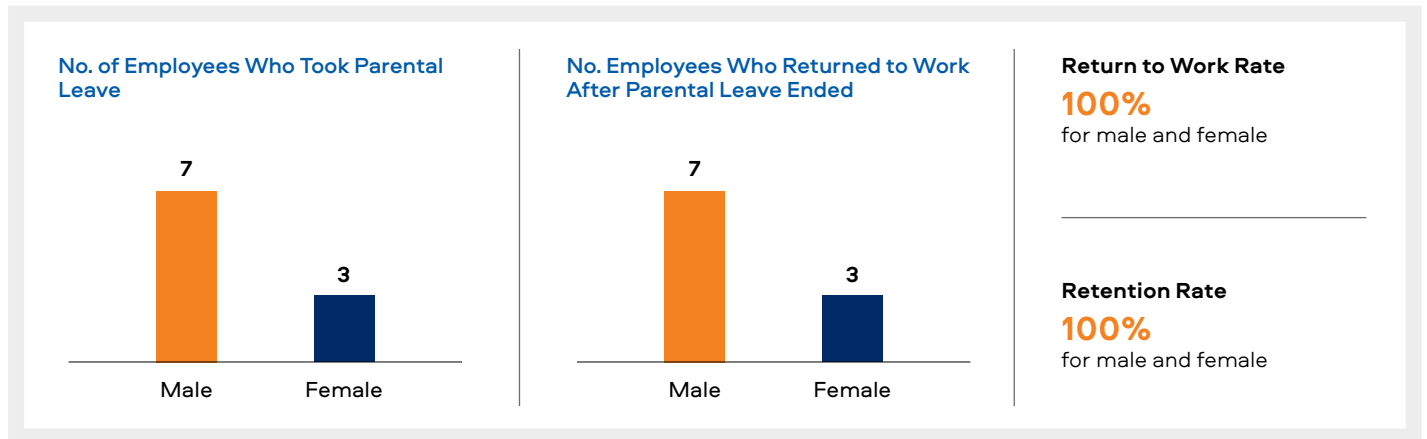
In addition to permanent employees, we also offer employment to temporary workers. The disclosure of our temporary employees by employment type are as follows:



Initiatives to Drive Diversity and Inclusion

Parental Leave for 2021

We offer parental leave for married employees to care for their child after birth or adoption.



We have various policies to support our employees throughout different stages in their life cycle. We provide married employees with parental leave and mothers-to-be and new mothers with flexible and dynamic working arrangements. For instance, expectant mothers with on-the-go roles are allowed the flexibility to switch to desk-bound duties.

Education is a key enabler to unlock our awareness and open-mindedness to embrace a diverse workforce. We are committed to providing essential guidance to our employees to further drive diversity, inclusion and awareness. In 2021, we achieved 100% completion in the training sessions of Mastering Inclusion and Unconscious Bias.

We also organised several engagement sessions for our female-at-trade employees to gather feedback and have identified several improvement areas to deliver a more female-friendly work environment. These included upgrading of amenities at sales offices such as nursing rooms and prayer rooms, and designing a uniform that is more suitable for female employees.

In accelerating female talent capabilities, we offered six female employees the opportunity to undergo external mentoring sessions with experienced coaches to accelerate their leadership capabilities and personal impact. Two female senior managers also attended Women in Leadership training, a global development programme for female leaders.



Social

We celebrated International Women’s Day on 8 March by inviting external speakers to share on how diversity and inclusion (D&I) can boost business growth. Participants learned how to manage a multi-generational workforce, embed a culture of celebrating D&I, and address D&I issues as well as key enablers in driving the D&I agenda in local organisations.

In conjunction with the celebration, employees also had the opportunity to engage with our Regional Leadership Team on a live chat session. Our senior regional leaders shared their insights and experiences to create a more inclusive environment.



ATTRACTING & RETAINING THE BEST TALENT

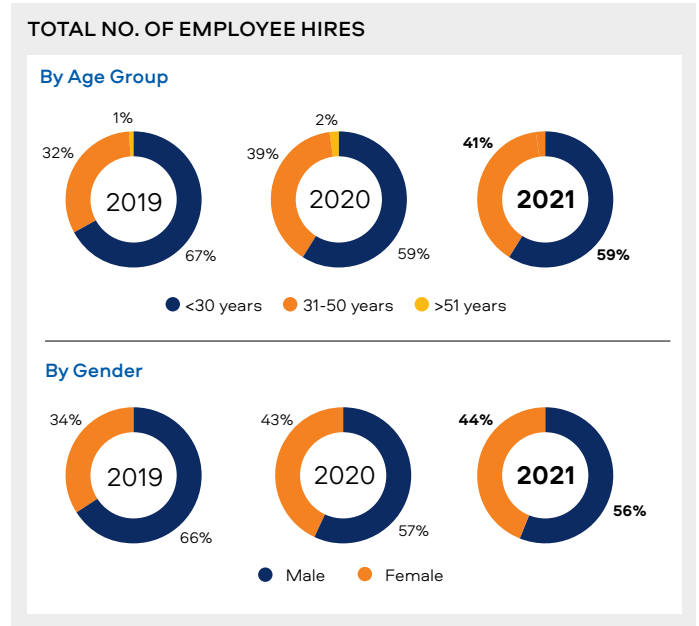
We continuously seek diverse talent to join our high-performing team to achieve sustainable growth. The employee journey at BAT Malaysia begins even before hiring, as we have put in place measures to attract the best talents to our organisation.

Top Employer certification

We were certified as a Top Employer in Malaysia in 2021 yet again, for the fourth consecutive year. This accolade recognises our focus in creating a culture of engaged, diverse employees who lead and inspire each other, and who contribute towards our purpose of A Better Tomorrow™. It also reaffirms us as a company that fosters a culture of diversity and inclusivity. It further emphasises that we have employees who lead and inspire each other through living the Company’s ethos of being bold, fast, empowered, responsible and diverse.



Our strive for diversity and gender equality has been reflected in the number of our new hires. Since 2019, the percentage of female new hires has increased steadily from 34% in 2019 to 43% in 2020 and 44% in 2021. The increase in the number of female recruits in 2020 despite a decrease of 42% in the total number of new hires clearly indicated our aim of promoting gender equality in BAT Malaysia’s workforce.



Fair Employment Practices

BAT Malaysia’s commitment to promoting and developing a diverse workforce is supported by its Group-wide equal opportunity and non-discriminatory practices and policies in hiring, promoting, remunerating and selecting employees. We are guided by these policies in all that we do to ensure fair opportunity and equal treatment to qualified candidates regardless of gender, race, disability, nationality, region and age. We believe employees with diverse backgrounds will provide various complementary skills, experiences and unique perspectives to BAT Malaysia, ultimately enhancing our capacity to create value. We will also continue to comply with local labour laws, regulations and cultural practices in addition to reviewing key employment data and statistics to uphold a diverse workforce.

We offer a suite of comprehensive and attractive benefits to all permanent employees including:

- **Medical benefits**
- **Leaves: Annual, compassionate, examination, hospitalisation, maternity, paternity, marriage, sick, study, caregivers, enrichment and pilgrimage**
- **Performance Bonus**
- **Group Team Life Insurance Scheme**
- **Group Personal Accident**
- **Employees' Provident Fund**
- **Stock Ownership (depending on grade)**
- **Company vehicle and monthly allowance (depending on grade)**
- **Flexible Benefits**
- **Long Service Awards**
- **Employee Assistance Programme**



TALENT ATTRACTION

Employer Value Proposition (EVP)

Our revamped EVP captures what makes us unique in our efforts to attract, grow and retain talent to deliver A Better Tomorrow™.

Our three pillars form the basis for our messaging to talent and support our EVP.

The pillar of **“Bring your difference”** forms a foundation to create a high performing and innovative culture, as we embrace people from all backgrounds to share powerful diversity of thought.

The **“Work on the world stage”** pillar enables our people to develop their careers with an ever-widening scope and global opportunities.

Our last pillar **“Make a Positive Impact”** reflects our aim to cultivate business sustainability and drive environmental excellence.



Corporate purpose	A Better Tomorrow™				
Ethos	EMPOWERED	BOLD	FAST	DIVERSE	RESPONSIBLE
EVP	Be The Change				
Pillars	<p>Bring your Difference</p> <p>We are an incredibly diverse business. We embrace people from all backgrounds, so our community shares a powerful diversity of thought.</p> <p>We invite candidates to bring their own unique experience and perspectives to the table, creating an even more vibrant and inclusive learning environment where new ideas can be exchanged.</p> <p>This foundation creates a culture of high performance and creativity.</p>	<p>Work on the World Stage</p> <p>We are a global business with global opportunities. Candidates here have the opportunity to collaborate with teams from around the world.</p> <p>We touch the lives of millions of consumers every day, in almost every part of the planet. Ultimately, so will your work.</p> <p>This means, as you develop into your career, you'll find an ever-widening scope and scale of opportunities, greater than those you would find elsewhere.</p>	<p>Make a Positive Impact</p> <p>The positive impact we make is facilitated by the latest ideas and tools.</p> <p>This means - especially in areas like research and development - candidates will get their hands on truly advanced technology for example.</p> <p>But whatever your role, you'll play a part in key business breakthroughs, helping us transform to be better for people and the planet.</p>		

Social

Digital Talent Branding

Digital channels are the primary driver of our talent attraction and sourcing, where we leverage on research and insights to identify key data, platforms and content delivery to attract the best talent. Additionally, we partner the recruitment team in our Global Business Services to ensure a robust and effective recruitment process to attract the best talent.



RETAINING THE BEST TALENT

Digitalised Onboarding Experience

In driving digital transformation to deliver an engaging onboarding experience for newly hired employees, BAT Malaysia recently launched and integrated a new digital onboarding experience known as Enboarder. It is a digital platform for newbies, guiding them through to their first day at work even before they join the company. Employees can easily find information such as an overview of company purpose and strategy, standards of business conduct and training & development to set them up for an effective start in the Company.



Meet and Greet Session for new joiners

As part of our robust on-boarding process, we provide an opportunity for new joiners to engage with our senior leaders through “Espresso Yourself”, a casual meet and greet session where new joiners are given the opportunity to meet key members of the organisation, establish ties and find their footing upon joining the Company. It also encourages good relations among colleagues as new joiners engage in a casual conversation over a cup of coffee.



New Joiner Sharing session

We are committed to provide a seamless and supportive assimilation process for new employees. As such, new joiner sharing sessions are organised on a regular basis to get feedback and observation from our new hires, as well as share their outside-in view and diverse experience with senior management.

WORKFORCE ENGAGEMENT

Employee Engagement Survey (Your Voice)

Our biennial global employee engagement survey, Your Voice is used to track our employee engagement levels.

We had a response rate of 98% in 2021 and positive significant improvement in all our key indices.

<p>01</p> <p>Sustainable Engagement index stood at 82% and measures employees' connection to the organisation.</p>	<p>02</p> <p>High-Performance index stood at 79% and comprises the factors which differentiate high-performing companies.</p>	<p>03</p> <p>Ethos index stood at 84% and shows how well employees uphold Ethos on a daily basis.</p>
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The feedback from our survey will be used to address areas of improvement to continue to cultivate a conducive and engaging workplace.



Employee Engagement Activities

We recognise that an engaged organisation is an effective organisation, particularly amid the COVID-19 pandemic that has evolved our workplace practices including having employees working from home. In line with this, we have digitalised much of our employee engagement activities, enabling our employees to be kept updated and continue to have a voice even as we have moved away from face-to-face interactions.

To keep employees informed on the business and commercial updates, we organised monthly virtual townhalls, live trade virtual sessions, and a year-end hybrid live Run Home session.

We also activated internal brand activations in conjunction with new product innovation launches, an interactive microsite in conjunction with the Euro 2020, and gave out various care packs to ensure employees were energised and engaged.

Additionally, we observed various cultural celebrations such as Chinese New Year, Hari Raya and Deepavali by distributing gift boxes to all employees.



Social

Health and Wellbeing

Our employees' health and wellbeing have always been our topmost priority. BAT Malaysia offers a robust Employee Assistance Programme to all employees to manage physical and mental health and wellbeing. In October 2021, in conjunction with World Mental Health Day, we organised a free health check programme for BAT Malaysia employees. Offering complimentary physical and mental health screening by qualified counsellors, psychologists, dietitians and fitness coaches, the programme also includes free access to our health app which provides direct access to a wealth of resources to support our employee health and wellbeing.



Keeping our people safe

As part of our commitment towards keeping our people safe, we implemented several measures to reduce our employees' exposure to the spread of the COVID-19 virus, which included introducing hybrid working and flexible work arrangement. In addition to enforcing strict Standard Operating Procedures at the workplace, we also provided personal protective equipment (PPE) and set up booths for hand sanitising at strategic areas in our office.

RECOGNISING & REWARDING TALENT

A Better Tomorrow™ Awards

To further enrich our employees' experience during their time with us, we have several reward and recognition programmes in place to celebrate and reward high-performing and loyal employees.

These consist of the Ethos Awards, the A Better Tomorrow™ Awards, and the Long Service Awards, all of which serve not only to recognise but also to drive our employees towards delivering continuous and consistent results.

A total of 17 teams were celebrated for their outstanding performance, high business impact, grit and resilience.



Long Service Awards

We recognised employees who have been loyal to the company by awarding Long Service Awards to employees as an appreciation for their years of service. These employees were also treated to an intimate dinner to commemorate their 10th, 20th and 30th years of service. We also celebrated three retirees who retired after many years with the company, two whom had been with us for 39 years.



WORKPLACE

During the year under review, in addition to the typical health and safety requirements, we put in place appropriate measures to combat COVID-19 risks.

NAVIGATING CHALLENGES FROM THE PANDEMIC

The measures we implemented to address COVID-19 risks included:

- Implementing strict SOPs for all employees, contractors and visitors to comply with during on-site visitations
- Establishing a Crisis Management Team that met on a weekly basis to review the status of our operating environment, precautionary measures, employee health conditions and work arrangements (Work-From-Home [WFH]/alternate work patterns/reduced office teams), in line with government SOPs

- Providing personal protective equipment (PPE) to all employees, including face masks and shields, COVID-19 self-test kit, hand sanitisers and disposable gloves
- Ensuring strict hygiene housekeeping and routine sanitisation at the office
- Working with healthcare companies Pharamianga and Lifecare to accelerate vaccinations for employees

The COVID-19 pandemic placed greater emphasis on not only physical but also mental health. Through the BAT Cares programme and digital app, our employees were able to communicate and consult with healthcare professionals, such as psychologists, dieticians and fitness coaches, about practising healthy lifestyles.

Social

Occupational Health and Safety

We are committed to meeting all applicable health and safety obligations legally required of us. To this end, we provide any required instruction, training and supervision to ensure our employees are able to use our resources to the best of their abilities.

Environmental, Health & Safety Management System (IMS-EHS)

The IMS-EHS informs how we describe, control and record all tasks related to environmental protection and occupational health and safety in BAT Malaysia. Our EHS Road Map measures the implementation of our IMS-EHS against set targets and identifies areas for improvement.

During the year under review, we recorded an overall score of 3.48 in our IMS-EHS against a total score of 4. Twenty-three EHS policy elements and related topics were evaluated, from our policy itself to implementation plans and monitoring of specific EHS indicators, categorised by section. In FY2021, we scored at least 3 in each section and achieved the full rating of 4 in several. The scoring indicated that we demonstrated a strong foundation for addressing all the indicators measured. It also identified areas for improvement, which we will continue to work on to achieve better compliance with international EHS requirements.

EHS Policy/Steering Committee

Our EHS Policy/Steering Committee is chaired by the Operations Director responsible for EHS management. The Committee meets twice a year and is responsible for:

- Continuously reviewing and assessing the effectiveness of BAT Malaysia's EHS Policy and EHS management systems and programmes
- Ensuring implementation of actions necessary to comply with laws and regulations, as well as BAT Malaysia's EHS policy objectives
- Maintenance programmes
- Engaging with external stakeholders
- Overseeing employees' internal self-assessment reviews based on the EHS Road Map
- Making decisions on priorities, budget timing and targets

100 percent of BAT Malaysia's total workforce was covered by the EHS Policy in FY2021.

Identifying Hazards and Health and Safety Risks

Hazards and risks at the workplace are identified through the HIRARC risk assessment report.

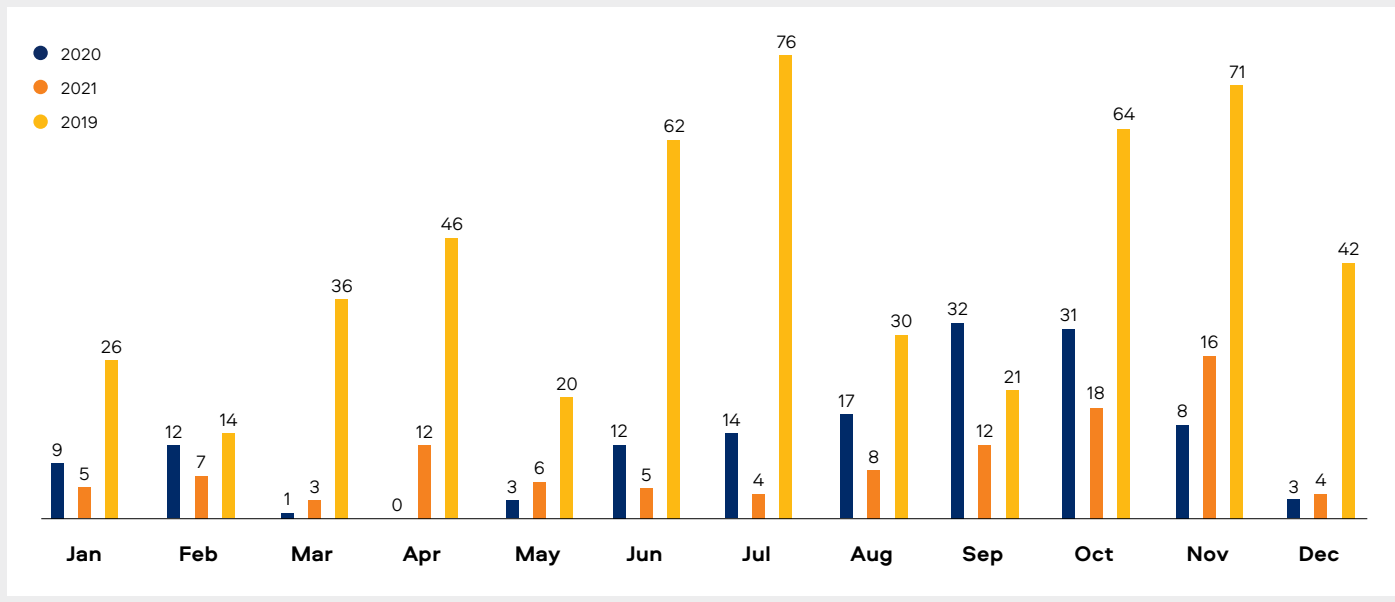


Enhancing Health and Safety at Our Workplace

As of end-December 2021, the Company achieved another year without time lost to injury, making it our ninth consecutive year of this achievement.

Our Near Miss Reporting programme encourages employees to play an active role in observing and alerting the relevant teams of any unsafe conditions/acts and near misses at or around the workplace. As of FY2021, 100 near misses were reported, preventing serious accidents from taking place.

NEAR MISS REPORTING TRACKER



Health and Safety Training

All new employees must undergo compulsory workplace health and safety training as part of their orientation and induction course.

We also provide ongoing training for employees and contractors.

First aid training

We conduct training programmes for first aiders/emergency response teams. First aid refresher courses are carried out every three years.

Safety Day

A Group-wide Safety Day was organised that included a COVID-19 Awareness Talk to raise awareness on exposure risks and prevention at both the workplace and at home, facilitated by an occupational safety & health consultant and BAT Malaysia’s Health & Safety Manager. 103 employees participated in different sessions or online.

Defensive Driving Course

Workplace safety also extends to business travel, especially as some of our workers spend a considerable amount of time on the road. Our National Sales Team employees face daily risks while on the road and during the loading and unloading of our products from their vehicles. Apart from dealing with the inherent road safety issues, they face security risks from carrying high-value legal cigarettes.

In view of these risks, National Sales Team employees are trained in defensive driving. This enables them to identify and assess potential road hazards and make sound decisions in emergencies. They are also trained in basic vehicle safety checks, first aid and self-defence.

During the year under review, given the pandemic landscape and the need for additional safety precautions for our employees, we delivered our defensive driving training through online learning.

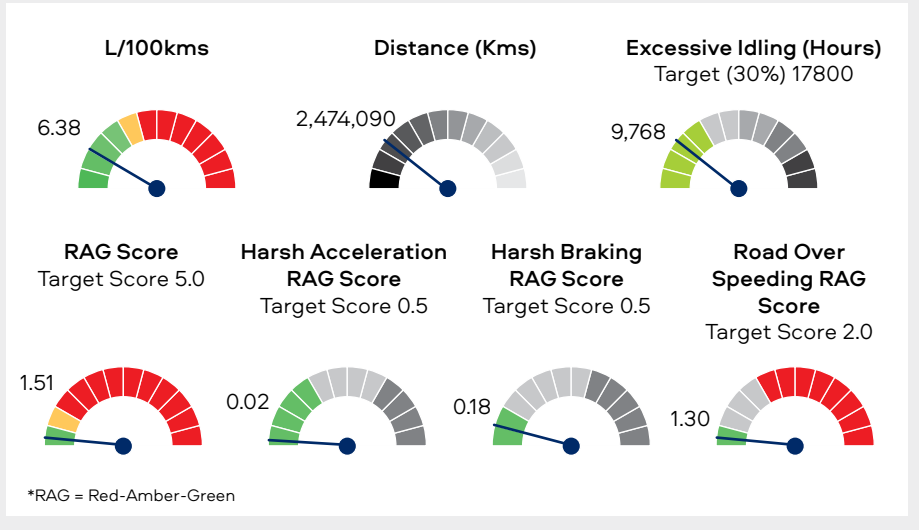
Telematics monitoring of fleet vehicles

In 2019, the Company installed telematics monitoring systems, which combine GPS technology and onboard diagnostics, in all Company fleet vehicles. The systems aid us in gaining a better understanding of driver behaviour and in adapting our processes and training for enhanced safety, cost management and route planning. This intelligent system is able to monitor driver behaviour and violations such as speeding, harsh braking, harsh acceleration and long idling. Monthly violation reports are delivered to our Fleet and HR Departments to enable the identification of high-risk behaviours for retraining and coaching.

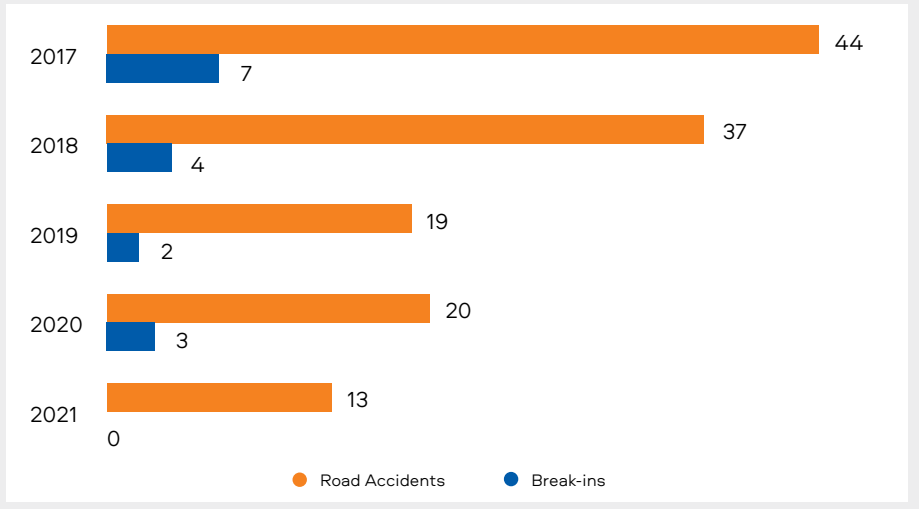
Additionally, all company vehicles are equipped with dashcams to monitor driver behaviour. The dashcam recordings facilitate our investigation teams with a detailed overview of any accidents and enable the sharing of key learning with other drivers to avoid accident reoccurrences.

Social

BAT MALAYSIA PERFORMANCE



NATIONAL SALES TEAM INCIDENCE TRACKER



Occupational Health and Safety Performance

BAT Malaysia continues to maintain a good health and safety record and has consistently reduced the number of accidents across our operations. Our employees are encouraged to be proactive and utilise our Near Miss Reporting programme and mobile app to report any unsafe conditions or acts and near misses at or around the workplace to the EHS teams.

We recorded zero high-consequence injuries and zero fatalities during the year.

MOSHPA AWARD: GOLD IN OSH MANAGEMENT

In recognition of our consistent efforts to drive a high commitment to health and safety at work, we received the Gold Award in the Manufacturing Category at the 17th Malaysian Occupational Safety and Health Practitioners' Association (MOSHPA) OSH National Awards 2021. We also completed MOSHPA's Health and Safety Audit with Full Compliance.



Social

HUMAN RIGHTS

As part of a multinational group of companies, BAT Malaysia recognises its responsibility to uphold international standards on human rights, including those outlined in the United Nations Guiding Principles on Business and Human Rights and the Organisation for Economic Cooperation and Development Guidelines for Multinational Enterprises. Additionally, our SoBC include a section on Human Rights and Our Operations, which governs our approach to human rights among our employees, the people we work with and the communities we engage with.

The SoBC set out our responsibilities for identifying human rights risks that are relevant to our operations. To this end, we foster continuous communications with our stakeholders, including our employees and their representatives, to gain their feedback on our human rights performance. Where necessary, we ensure we take appropriate measures to ensure we avoid human rights violations and rectify negative human rights impacts.

Our Employment Principles also demonstrate our commitment to implementing good employment practices and upholding workplace-related human rights. These principles outline our approach to developing policies and procedures in accordance with local labour laws and practices, as well as the local political, economic and cultural landscapes. The human rights policies we adopt, as informed by the Employment Principles, include:

1. Equality of opportunity and non-discrimination.
2. Internal communications and the free flow of ideas.
3. Worker representation and freedom of association.
4. Fairness at work and the unacceptability of harassment and bullying.
5. Rejecting child labour.
6. Rejecting forced or bonded labour.
7. Promoting performance responsibility.
8. Upholding health, safety and environmental responsibility.
9. Providing community contributions and skills development for employees and communities in markets where our companies operate.
10. Providing personal development and learning.
11. Practising reasonable working hours and family-friendly policies.
12. Providing fair, clear and competitive remuneration and benefits.

We also work with our suppliers to ensure exemplary human rights practices among those we conduct business with throughout the supply chain. All our suppliers are expected to comply with our Supplier Code of Conduct (SCoC), which is incorporated into our contractual agreements with them.

Other standards of business integrity required from suppliers are in the areas of conflict of interest, bribery and corruption, gifts and entertainment, sanctions, tax evasion and illicit trade. All suppliers are expected to meet the requirements of the SCoC in order to supply goods or services to the Group and these requirements are incorporated into our agreements with the suppliers. It is made clear in all these agreements that compliance with the SCoC is

mandatory and that any non-compliance with the SCoC will be deemed to be a breach and the Group has the right to terminate the agreements with the said contractors, service providers, suppliers or distributors of the Group.

Demonstrating our efforts to maintain and uphold human rights practices, during the year, we did not record any human rights violations among our workers or other communities, including indigenous peoples.

COMMUNITY

SOCIAL INVESTMENT

We can only achieve meaningful sustainability through an inclusive approach that supports our local communities.

COVID-19 Relief Activity

We deployed our National Sales Team to provide financial support and food to over 2,000 families adversely impacted by COVID-19.

Access to Technology

In 2021, we continued our partnership with SOLS TECH, a non-profit organisation that collects, refurbishes and distributes donated computers and electronic gadgets to underprivileged communities.

Festive Cheer With Cheer-Ria Raya

In 2021, BAT Malaysia spread Raya cheer among underprivileged communities via three organisations: Dapur Rakyat, Komuniti Tukang Jahit and Ibupreneur. These organisations employ underprivileged individuals to make and deliver hearty home-cooked lunches and Cheer-Ria-themed gift boxes.

The results of this initiative were:



700

meals delivered to our staff during the month of Ramadhan



500

carefully curated gift boxes with 1,000 artisanal batik dompet raya and name-card holders



10,000

homemade cookies in favourite local flavours

Commitment to Strong Governance





66 Board of Directors
73 Profile of Leadership Team

CORPORATE GOVERNANCE OVERVIEW

77 Our Commitment to Corporate Governance
78 Principle A: Board Leadership and Effectiveness
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97 Statement on Risk Management and Internal Control
105 Other Compliance Information

This section provides insights on how BAT Malaysia continues to uphold transparent and ethical business practices and an overview of the Group’s leadership, as well as the details of our governance and risk management practices.

OUR LEADERSHIP

Board¹

57%	Independent Non-Executive Director
29%	Non-Independent Executive Director
14%	Non-Independent Non-Executive Director

Non-Executive and Executive Directors: Age¹

57%	Below 50 years old
29%	Above 60 years old
14%	50-60 years old

BOARD GENDER DIVERSITY¹

♂	Male	71%	♀	Female	29%
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BOARD NATIONALITY DIVERSITY¹

🇲🇾	Malaysian	6	🇺🇸	USA	1
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Note: ¹ As at 31 December 2021

Board of Directors



TAN SRI DATO' SERI (DR.) ASEH BIN HAJI CHE MAT

PSM, SPSK, SSAP, SPTJ, SPDK, DPCM, DSAP, DIMP, KMN, AMN

Independent Non-Executive Director/Chairman

Age
70

Gender
Male

Nationality
Malaysian

Date Appointed to the Board:

- 1 January 2017

Qualifications:

- Degree in Economics from University of Malaya, Malaysia
- Masters in Public Administration from University of Southern California, United States of America
- Certificate in International Financial Administration, United States of America
- PhD (Honorary) in International Relations from Limkokwing University of Creative Technology, Cyberjaya, Malaysia
- PhD (Honorary) in Management from Infrastructure University Kuala Lumpur, Malaysia

Membership of Board Committee:

- Nomination and Remuneration Committee (Chairman)

Number of Board Meetings Attended in the Financial Year:

- 4/4

Present Directorship(s):

- Listed Entity
- Nil

Other Public Company:

- Nil

Working Experience:

- Tan Sri Dato' Seri (Dr.) Aseh is active in community service. He is the Trustee and Chairman of Football Association of Malaysia Vetting, Monitoring and Integrity Committee, Chairman of Yayasan Pesara Kerajaan and President of Tiara Golf & Country Club, Melaka. He is also the Chairman and Chancellor of Infrastructure University Kuala Lumpur. He was also active in the Administrative and Diplomatic Service and was its longest serving President. Besides that, he was the Chairman of the University Council of Limkokwing University of Creative Technology (2008-2017), Stemlife Berhad (2008-2013) and MWE Holdings Berhad (2008-2018). He was also a board member of Lion Diversified Holdings Berhad (2007-2019).
- Tan Sri Dato' Seri (Dr.) Aseh joined the Ministry of Finance, Malaysia in March 1974 and held various positions as Assistant Secretary, Secretary and Principal Assistant Secretary of the Education Services Commission in Kuala Lumpur, Sarawak and Sabah during his eight years with the Commission.
- Since 1984, he served in the Ministry of Home Affairs, Malaysia in various positions including Principal Assistant Secretary of the Security and Police Affairs Division; Undersecretary of the Security and Preventive Division, and Management Division; and Deputy Director General and Director General of the Department of Immigration, Malaysia.
- In February 2001, Tan Sri Dato' Seri (Dr.) Aseh was appointed Secretary General of the Ministry of Home Affairs, Malaysia, a post he held until his retirement on 22 October 2007.
- Post retirement from the civil service, he held the position of Chairman of Pos Malaysia from July 2008 to 2011, President of Putrajaya Corporation from August 2012 to July 2015 and Chairman of Social Security Organisation (2017 - 2018). In September 2015, Tan Sri Dato' Seri (Dr.) Aseh was appointed Non-Executive Chairman of Fujitsu (Malaysia) Sdn. Bhd.

Board of Directors

DATO' CHAN CHOON NGAI

DSNS

Senior Independent Non-Executive Director

Date Appointed to the Board:

- 1 February 2011

Qualifications:

- Degree in Mechanical Engineering from University of Birmingham, United Kingdom

Membership of Board Committee:

- Nomination and Remuneration Committee
- Risk Management Committee
- Audit Committee

Number of Board Meetings Attended in the Financial Year:

- 4/4

Present Directorship(s):

- Listed Entity
- Nil

Other Public Company:

- Nil

Age
66Gender
MaleNationality
Malaysian**Working Experience:**

- Dato' Chan was appointed to the Board of BAT Malaysia since 1 February 2011 after his retirement on 31 December 2010 as Operations Director of the Company. He was redesignated as Non-Independent Non-Executive Director of the Company on 1 January 2013 following the expiry of his contract of service on 31 December 2012. Subsequently, he was re-designated as Independent Non-Executive Director of the Company on 23 May 2016. He was re-designated as Senior Independent Non-Executive Director on 28 February 2021.
- He was appointed as the Operations Director in July 2000 of BAT Malaysia and his portfolio expanded to include Business Development Services effective 15 November 2010.
- Dato' Chan joined Rothmans of Pall Mall (Malaysia) Berhad (Rothmans Malaysia) in 1979, as a Production Management Trainee and held various positions in the production division including Production Executive Make and Pack (1980-1982), Personal Assistant to Rothmans International World Production Director, Rothmans International United Kingdom (1982- 1984), Acting Factory Manager Rothmans Malaysia (1984-1986), Factory Manager Rothmans Malaysia (1986-1994) and Production Director (Designate) of Rothmans Malaysia (1994- 1995). Dato' Chan was then appointed Production Director of the then Rothmans Malaysia in October 1995. He was a director of Tien Wah Press Holdings Berhad from May 1997 to June 2003.

Board of Directors



ERIC OOI LIP AUN

Independent Non-Executive Director

Age
64

Gender
Male

Nationality
Malaysian

Date Appointed to the Board:

- 1 March 2019

Qualifications:

- Member of the Malaysian Institute of Accountants
- Member of the Malaysian Institute of Certified Public Accountants

Membership of Board Committee:

- Risk Management Committee (Chairman)
- Audit Committee (Chairman)

Number of Board Meetings Attended in the Financial Year:

- 4/4

Present Directorship(s):

- Listed Entity
- Genting Berhad

Other Public Company:

- Nil

Working Experience:

- Eric was a partner of PricewaterhouseCoopers (PwC), Malaysia until his retirement in June 2015 after 38 years of service. He joined the firm of Price Waterhouse (PW) (now known as PricewaterhouseCoopers) in 1977, qualified as a Certified Public Accountant in 1981 and was admitted to the partnership of PwC in Malaysia in 1991.
- In 2012, Eric assumed the responsibility to lead the middle market practices of the Asia Pacific cluster of PwC firms, focused on working with entrepreneurs, high net worth individuals and families.
- From 2002 until 2008, Eric was the Assurance leader for PwC's regional grouping in Asia, and was a member of PwC's Global Assurance leadership team.
- In 1996, he assumed management and leadership positions for different parts of PW/PwC within Malaysia, across Asia and globally. He was PW Malaysia's leader for Audit and Business Advisory Services, and continued in the role following the merger between PW and Coopers & Lybrand to form PwC in 1998, a position he held through 2008.

Board of Directors

NORLIZA BINTI KAMARUDDIN

ADJUNCT PROFESSOR

Non-Independent Non-Executive Director**Date Appointed to the Board:**

- 30 April 2021

Qualifications:

- Industry Adjunct Professor University of Multimedia, Malaysia.
- Professional Certificate in Corporate Public Affairs from The Center of Corporate Public Affairs, Melbourne Business School, Australia.
- Bachelor in Arts and Design from Universiti Teknologi MARA, Malaysia.

Membership of Board Committee:

- Sustainability Committee (Chairwoman)
- Nomination and Remuneration Committee
- Audit Committee

Number of Board Meetings Attended in the Financial Year:

- 3/3

Present Directorship(s):**Listed Entities**

- Kumpulan Perangsang Selangor Berhad
- Sedania Innovator Berhad

Other Public Company:

- Nil

Age
57Gender
FemaleNationality
Malaysian**Working Experience:**

- Norliza binti Kamaruddin is a senior communications specialist with more than 25 years of experience in Malaysia and other international markets. She specialises in multiple sectors including energy, finance, banking, aviation, telecommunications and hospitality. She also has experience in various communications practices particularly reputation management, communications strategy, strategic planning, corporate and government stakeholder management, crisis communications, corporate social responsibility, branding, media relations and internal communications. She is the only Malaysian to be recognised in the world's three most prestigious Public Relations (PR) and marketing awards. She was also named as one of the 'Top 500 Most Influential PR Professionals in PR Week Power Book 2014 and 2015' by the global PR Week magazine.
- Currently, Norliza is the Managing Director in the Strategic Communications practice of FTI Consulting, Inc and is based in Kuala Lumpur, Malaysia. FTI Consulting, Inc is a global New York-based business advisory firm listed on the New York Stock Exchange (NYSE). Previously, she was the Global Head of Strategic Communications for PETRONAS. She also served as the Country Head of Corporate Affairs at Standard Chartered Bank.

Board of Directors



DATUK CHRISTINE LEE OI KUAN

DPSM

Non-Independent Non-Executive Director

Age
63

Gender
Female

Nationality
Malaysian

Date Appointed to the Board:

- 1 March 2012

Qualifications:

- Degree in Law from University of Malaya, Malaysia

Membership of Board Committee:

- Sustainability Committee

Number of Board Meetings Attended in the Financial Year:

- 4/4

Present Directorship(s):

- Listed Entity
- Carlsberg Brewery Malaysia Berhad

Other Public Company:

- Nil

Working Experience:

- Datuk Christine was the Legal and External Affairs Director of BAT Malaysia from September 2006 until her retirement on 31 December 2018. Datuk Christine was responsible for corporate and regulatory affairs and legal matters of BAT Malaysia. She was re-designated as Non-Independent Non-Executive Director of BAT Malaysia on 1 January 2019 after her retirement.
- Datuk Christine started out as the Head of Legal and Company Secretary at BAT Malaysia in 2001. She was appointed to the Top Team, now known as the Leadership Team of BAT Malaysia in 2006.
- Prior to joining BAT Malaysia, Datuk Christine was the Head of Legal and Company Secretary of two public listed companies, Hong Leong Industries Berhad and Malaysian Pacific Industries Berhad.
- She was with the Attorney General's Chambers of Malaysia from 1983, serving in the Prosecution and Advisory and International Law Divisions.

Board of Directors

NEDAL LOUAY SALEM

Non-Independent Executive Director/Managing Director

Date Appointed to the Board:

- 1 September 2021

Qualifications:

- Bachelor of Arts (BA) in International Business from George Washington University, USA

Membership of Board Committee:

- Sustainability Committee

Number of Board Meetings Attended in the Financial Year:

- 1/1

Present Directorship(s):

- Listed Entity
- Nil

Other Public Company:

- British American Tobacco Malaysia Foundation

Age
52Gender
MaleNationality
United States of America (USA)**Working Experience:**

- Prior to his appointment, Nedal was the Managing Director and Chief Executive Director of Ceylon Tobacco Company PLC (CTC), Sri Lanka since 2019. During Nedal's tenure, CTC achieved significant milestones in its corporate governance framework, talent strategy and ESG agenda with a specific focus on becoming the first seed-to-smoke end market to achieve carbon neutrality within BAT p.l.c. Group.
- He has more than 20 years of international experience in British American Tobacco p.l.c. Group, spanning across nine markets in three continents. He has created a legacy of building strong and driven teams, growing globally-driven brands and successfully delivering results.
- He was the Head of Brands Marketing in Bentoel Indonesia (2017-2019) and the Director of Brands Marketing, Korea (2011-2015).
- Nedal started his career in British American Tobacco Middle East in 1998.

Board of Directors



ANTHONY YONG MUN SENG

Non-Independent Executive Director/Finance Director

Age
49

Gender
Male

Nationality
Malaysian

Date Appointed to the Board:

- 1 November 2021

Qualifications:

- Member of the Chartered Accountants Australia and New Zealand
- Member of the Malaysian Institute of Accountants
- Member of the Malaysian Institute of Certified Public Accountants
- Chartered Financial Analyst Program, Passed Level II

Membership of Board Committee:

- Risk Management Committee

Number of Board Meetings Attended in the Financial Year:

- N/A

Present Directorship(s):

- Listed Entity
- Nil

Other Public Company:

- Nil

Working Experience:

- He has broad international background having served as Chief Financial Officer and other senior roles with responsibility for Finance, Strategy and Transformation around Asia and Europe.
- Prior to his appointment, Anthony was the Corporate Finance Controller of British American Tobacco South East Asia since 2017.
- Anthony was the Chief Financial Officer of Asia Lhoist (2015-2017).
- Anthony joined BAT Group in 2000 after spending eight years in KPMG.
- Between 2000 and 2014, Anthony held multiple senior positions within the BAT group of companies in Malaysia, Switzerland and Bangladesh.

Additional Information:

None of the Directors have:

- any family relationships with any directors and/or major shareholders of BAT Malaysia.
- any conflict of interest with BAT Malaysia.
- any convictions for offences within the past five (5) years and have not been imposed any public sanction or penalty by the relevant regulatory bodies during the financial year 2021.

Profile of Leadership Team

NEDAL LOUAY SALEM

Managing Director

Age : 52 Gender : Male Nationality : USA

Date Appointed to the Leadership Team:

- 13 October 2021

For details of Nedal's profile, please refer to page 71 of this Annual Report

ANTHONY YONG MUN SENG

Finance Director

Age : 49 Gender : Male Nationality : Malaysian

Date Appointed to the Leadership Team:

- 1 November 2021

For details of Anthony's profile, please refer to page 72 of this Annual Report

NICHOLAS KEITH BOOTH

Legal and External Affairs Director

Age : 41 Gender : Male Nationality : New Zealand

Date Appointed to the Leadership Team:

- 7 October 2020

Qualification:

- Bachelor of Arts majoring in Politics, University of Otago, New Zealand

Directorship in Public Companies and Listed Issuers:

- Nil

Working Experience:

- Nick was appointed Regulatory Affairs Director of BAT Malaysia on 7 October 2020 and subsequently Legal and External Affairs Director on 1 March 2021.
- Prior to his current role, he was the Head of Corporate and Government Affairs of British American Tobacco Australia.
- Nick joined British American Tobacco Australia in 2004 and has served in various roles in the Legal and External Affairs within the BAT Group in Australia, New Zealand and London.

Profile of Leadership Team

GENEVIEVE HIEW

Brands and Strategic, Planning & Insights Director

Age : 37

Gender : Female

Nationality : Malaysian

Date Appointed to the Leadership Team:

- 1 January 2020

Qualification:

- Degree in Chemical Engineering from the University of Nottingham, Malaysia

Directorship in Public Companies and Listed Issuers:

- Nil

Working Experience:

- Genevieve was appointed the Brands and Strategic, Planning & Insights Director of BAT Malaysia on 1 January 2020.
- Prior to her current role, she was the Divisional Sales Manager for the entire Java Island and East Nusa Tenggara under the Bentoel Group based in Indonesia.
- Genevieve joined BAT Malaysia in 2008 as a Management Trainee. She has held various roles in the Marketing function within the Malaysian and Indonesian regions.

FELICIA TEH SOOK-CHING

Human Resources Director

Age : 44

Gender : Female

Nationality : Malaysian

Date Appointed to the Leadership Team:

- 15 July 2019

Qualification:

- Masters in Business Administration, University of Nottingham, United Kingdom
- Bachelor of Commerce, University of Western Australia, Australia

Directorship in Public Companies and Listed Issuers:

- Nil

Working Experience:

- Felicia was appointed the Human Resources (HR) Director of BAT Malaysia on 15 July 2019.
- Prior to her current role, she was the Regional HR Director South East Asia for Carlsberg where she oversaw the HR agenda for Singapore, Myanmar and Laos, in addition to leading the people and organisation's strategy in Malaysia.
- Before her move to BAT Malaysia, Felicia had successfully led many initiatives to enhance employee engagement, culture and productivity enabling strong business results. She is also passionate about people development.

Profile of Leadership Team

CK REMEENA PRABHAKARAN

Supply Chain Director

Age : 58	Gender : Female	Nationality : Malaysian
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Date Appointed to the Leadership Team:

- 1 March 2018

Qualification:

- Bachelor of Science in Mathematics, Microbiology and Genetics from University of Malaya, Malaysia

Directorship in Public Companies and Listed Issuers:

- Nil

Working Experience:

- Remeena was appointed the Operations Director of BAT Malaysia on 1 March 2018.
- Prior to her current role, she was the Head of British American Tobacco's Asia Pacific Supply Service Centre from July 2014 to February 2018.
- Remeena joined British American Tobacco in 2012 as the Asia Pacific Middle East Head of Category and Sourcing Manager within the Procurement function. In 2013, she was promoted as the Regional Head of Procurement.
- She was with Philip Morris International from 1997 to 2012 with her last role being the Director of Supply Chain South Cluster.

BRYCE MATTHEW GREEN

Commercial Marketing Director

Age : 37	Gender : Male	Nationality : Australian
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Date Appointed to the Leadership Team:

- 6 November 2020

Qualifications:

- Business Management, Edith Cowan University, Australia
- Hospitality Management, Edith Cowan University, Australia

Directorship in Public Companies and Listed Issuers:

- Nil

Working Experience:

- Bryce was appointed Trade Marketing and Distribution Director on 6 November 2020.
- Prior to his current role, Bryce was the Marketing Director BAT China, a Joint Venture between BAT and China National Tobacco Corporation as well as working on various projects across Asia Pacific.
- Bryce then spent a number of years working across the South Pacific markets as the Head of Marketing Papua New Guinea and Fiji before promoted as the South Pacific Area Marketing Manager.
- Bryce joined BAT Australia in 2009 as a Trade Marketing Representative. He has held various roles in the Marketing function in Australia.

Additional Information:**None of the Leadership Team have:**

- any family relationships with any directors and/or major shareholders of BAT Malaysia.
- any conflict of interest with BAT Malaysia.
- any convictions for offences within the past five (5) years and have not been imposed any public sanction or penalty by the relevant regulatory bodies during the financial year 2021.

Corporate Governance Overview



Good governance through times of crisis is crucial and as a Board we have closely monitored the developments of COVID-19 and the impact on the Company. We have been impressed by the commitment and resilience of our colleagues to continue to operate effectively in such unprecedented circumstances.

Tan Sri Dato' Seri (Dr.) Aseh bin Haji Che Mat
(Chairman)



Corporate Governance Overview

OUR COMMITMENT TO CORPORATE GOVERNANCE

The Board of Directors (the Board) of BAT Malaysia is committed to ensuring that the Company upholds high standards of corporate governance set out in the MCCG 2021.

This Corporate Governance Overview Statement, together with the Corporate Governance Report on our corporate website, describe how the Board has applied the main principles of good governance and complied with the relevant provisions as set out in the MCCG 2021 for the year under review.

This Corporate Governance Overview Statement has been prepared against BAT Malaysia's Code of Corporate Governance (BAT Malaysia Code), the following local laws, governance best practices and internal policies:

<ul style="list-style-type: none"> The Companies Act, 2016 (the Act) 	<ul style="list-style-type: none"> British American Tobacco p.l.c. Group's Code of Corporate Governance
<ul style="list-style-type: none"> Bursa Malaysia MMLR 	<ul style="list-style-type: none"> Standards of Business Conduct of the Group (SOBC)
<ul style="list-style-type: none"> MCCG 2021 	<ul style="list-style-type: none"> Statement of Business Principles of the Group (Business Principles)
<ul style="list-style-type: none"> Corporate Governance Guide 4th Edition (CG Guide) 	<ul style="list-style-type: none"> Statement of Delegated Authorities of the Group (SODA)
<ul style="list-style-type: none"> Corporate Disclosure Guide by Bursa Securities 	
<ul style="list-style-type: none"> Malaysia-ASEAN Corporate Governance Scorecard by Minority Shareholders Watch Group (MSWG) 	

PRINCIPLE A

BOARD LEADERSHIP
AND EFFECTIVENESS



Find more information inside this report on pages 78 - 91

PRINCIPLE B

EFFECTIVE AUDIT AND
RISK MANAGEMENT



Find more information inside this report on pages 92 - 95

PRINCIPLE C

INTEGRITY IN
CORPORATE REPORTING
AND MEANINGFUL
RELATIONSHIP WITH
STAKEHOLDERS



Find more information inside this report on page 96

Corporate Governance Overview

PRINCIPLE A BOARD LEADERSHIP AND EFFECTIVENESS

LEADERSHIP & EFFECTIVENESS

The Board is collectively responsible for BAT Malaysia's vision, strategic direction and governance. It provides stewardship of the Company with the purpose of safeguarding its long-term sustainable success, creating value for the Group's shareholders and enabling the Group to make a contribution to the communities and wider societies in which it operates.

The Board has in place the Statement of Delegated Authority (SODA), which supports good corporate governance and prudent control of risks and investment management. The SODA clearly sets out specific reserved matters such as establishment of new businesses, annual strategic plan, approval of major capital expenditure, major acquisition and disposal of businesses or equity, borrowings and any corporate restructuring for the Board's decision.

Board Committees meetings are conducted separately from Board meetings to enable objective and independent discussion during these meetings.


All deliberations, recommendations and decisions of the Board Committees are recorded, and minutes are subsequently confirmed at the next Committees meetings. During the Board meetings, the Chairmen and Chairwomen of the various Board Committees provide reports of the discussions, recommendations and decisions made at the Committees meetings and highlights to the Board for noting or deliberation is required at the Board level.

On 28 October 2021, the Non-Executive Directors met without the presence of the Executive Directors and the Management to discuss amongst others strategic matters and alignment between the Management and the Board. The feedback from this meeting was then presented and deliberated at the Board Meeting held on 28 October 2021.

THE ROLE OF THE BOARD AND ITS COMMITTEES

THE BOARD

- Establishes appropriate systems of corporate governance in the Group.
- Oversees the conduct of the Group's businesses.
- Reviews and adopts the strategic plans of the Group.
- Reviews the adequacy and integrity of the management of information and internal control systems of the Group.
- Identifies principal risks and ensure the implementation of appropriate internal controls to manage these risks.
- Establishes succession plan, including appointing, training, fixing the compensation of and, where appropriate, replacing the Leadership Team.

 Principle Board Activities page 79 | Division of Responsibilities page 80 | Our Board pages 66 - 72

NOMINATION & REMUNERATION COMMITTEE (NRC)

- Oversees the selection and assessment of the Directors, assess the performance of the Board, and review succession planning for the Board and the Leadership Team.
- Determines the policy and structure for the compensation of the Non-Executive Directors and reviews and recommends to the Board the policy framework on the terms of employment, remuneration, and compensation payments of the Executive Directors and the Leadership Team.
- Currently, the NRC Chairman is also the Chairman of the Board. The Board is in the process of separating the NRC Chairman from the Chairman of the Board and further revise the NRC's composition by mid-2025 to ensure there are checks and balances as well as an objective review by the Board.

AUDIT COMMITTEE (AC)

- Oversees the integrity of the financial statements in compliance with legal and regulatory requirements and applicable accounting records, internal controls, and financial reporting practices of the Group.
- Is chaired by an Independent Non-Executive Director who is not the Chairman of the Board.

RISK MANAGEMENT COMMITTEE (RMC)

- Oversees the Group's risk management programme and business continuity plans.
- Is chaired by an Independent Non-Executive Director who is not the Chairman of the Board.
- Is supported by a Chief Risk Officer to assist the RMC to review, monitor, and assess the effectiveness of the Group's implementation of risk mitigation actions in managing key risks.

SUSTAINABILITY COMMITTEE (SC)

- Oversees the sustainability agenda in environmental, social and governance excellence.
- Is supported by a Chief Sustainability Officer to manage sustainability strategically, including the integration of sustainability considerations in the operations of the Company.

Corporate Governance Overview

PRINCIPLE A

SUB-COMMITTEES

Executive Compensation Committee (ECC)

Chairman: Managing Director

Reviews and approves all elements of remuneration, compensation payments, bonuses, rewards and benefits, save and except salaries of employees of the Group, which are reviewed and approved by the relevant Head of Functions together with the Human Resources Director.

Risk Management Team (RMT)

Chairman: Finance Director

Reviews and updates the Leadership Team and AC on BAT Malaysia's Enterprise Risk Management Programme, ongoing status of the key risks' response measures and status of the business continuity plans.

The Board Charter and the Board Committee Terms of Reference are available on BAT Malaysia website at www.batmalaysia.com.

PRINCIPLE BOARD ACTIVITIES IN 2021

At every scheduled Board meeting, the Board receives an update from the Leadership Team and the Company Secretary on financial matters, operational and strategic activities and governance. The table below provides examples of significant matters presented and discussed in the year ended 31 December 2021.

TOPIC	ACTIVITY & OUTCOME
STEP CHANGE IN NEW CATEGORIES^ PERFORMANCE	<ul style="list-style-type: none"> Reviewed the Group's strategy and approach to implement and accelerate New Categories.
DRIVE VALUE FROM COMBUSTIBLES	<ul style="list-style-type: none"> Reviewed the Group's strategy to build a strong portfolio and enable value growth; and Reviewed the Group's combustible portfolio to unlock new revenue streams for sustainable growth.
SIMPLIFY THE BUSINESS	<ul style="list-style-type: none"> Reviewed supply chain transformation; Assessed the accelerators required to deliver the Group's ambition and evolve a future fit, interconnected organisation; Reviewed compliance and policies; Reviewed the implementation of operational efficiencies; and Reviewed the Group's digital strategy and cyber security threat.
FINANCIAL AND RISK	<ul style="list-style-type: none"> Approval of Group's budget and oversight of resource allocation activities to support strategy execution; Reviewed the financial performance, business outlook and impact of COVID-19 throughout the years, key challenges and opportunities for growth; Assessed cost optimisation and unlocking of revenue to support investments; Reviewed the impact of COVID-19 on the operations of the business; Reviewed compliance with the Group's financial principles; Reviewed the Group's risks appetite; emerging risks to the Group and mitigation plans in place; and Reviewed the Group's revolving credit facilities and cashflows.
SUSTAINABILITY	<ul style="list-style-type: none"> Reviewed the evolution of the Group's strategy, placing sustainability front and centre of the Group's activities; Review the strategy to reduce the health impact of the business; Reviewed environmental management; Reviewed positive social impact deliverables; and Reviewed sustainability governance.
ACCELERATING TOMORROW'S LEADERS	<ul style="list-style-type: none"> Reviewed the succession and transition plan with the appointment of the new Independent Director, Norliza binti Kamaruddin, two new Executive Directors, Nedal Louay Salem and Anthony Yong Mun Seng and changes to the Leadership Team; Monitored corporate culture and its alignment with the Group's purpose, ethos and strategy; Reviewed the Group's Leadership Talent, diversity and inclusion; and Reviewed assessment of the effectiveness of the Board and its committees.

Note: ^ New Categories are reduced-risk categories of products other than combustibles.

Corporate Governance Overview

PRINCIPLE A

DIVISION OF RESPONSIBILITIES, ROLES OF THE DIRECTORS, THEIR COMMITTEE MEMBERSHIPS AND ATTENDANCE

Board

Chairman

Tan Sri Dato' Seri (Dr.) Aseh bin Haji Che Mat

4/4

The Chairman is responsible for the efficient and effective functioning of the Board.

Non-Executive Directors

INDEPENDENT

Dato' Chan Choon Ngai

4/4

Eric Ooi Lip Aun

4/4

Norliza binti Kamaruddin ²

3/3

Datuk Zainun Aishah binti Ahmad ¹

1/1

NON-INDEPENDENT

Datuk Christine Lee Oi Kuan

4/4

The Non-Executive Directors are responsible for acting as a check and balance on BAT Malaysia's Board and the Management by providing independent and unbiased views and acting as caretakers of minority shareholders.

Managing Director

Nedal Louay Salem ⁴

1/1

Jonathan Darlow Reed ³

3/3

The Managing Director assumes overall responsibilities for the execution of the strategies of the Group, in line with the Board's direction and drives the Group's businesses and performance towards achieving the Group's vision and goals.

Finance Director

Anthony Yong Mun Seng ⁵

N/A

Ignacio Ballester ⁶

4/4

The Finance Director is responsible for the day-to-day management of financial and operational matters in accordance with the strategic direction established by the Board.

Leadership Team

The Board is assisted by the Leadership Team. The details of the Leadership Team are provided on pages 73 to 75 of the Annual Report. The responsibilities and authorities of the Leadership Team are clearly defined in BAT Malaysia's Corporate Authority Limit, which is read with the Statement of Delegated Authorities. The Leadership Team is tasked with the responsibility of managing the Group's business and implementing the Board's strategies, policies, and decisions. The relevant members of the Leadership Team will also be invited to attend the Board and/or the Board Committees meetings to advise and provide clarification as and when required on items in the agenda tabled to the Board and the Board Committees.

Corporate Governance Overview

PRINCIPLE A

NUMBER OF MEETINGS

NRC	AC	RMC	SC
-----	----	-----	----

6/6

6/6

4/4

4/4

4/4

3/3

1/1

2/2

1/1

1/1

1/1

2/2

1/1

1/1

N/A

4/4

Note:

- (1) Resigned on 28 February 2021
- (2) Appointed on 30 April 2021
- (3) Resigned on 1 September 2021
- (4) Appointed on 1 September 2021
- (5) Appointed on 1 November 2021
- (6) Resigned on 31 October 2021

Company Secretary

The Board is supported by a qualified and competent Company Secretary who is responsible for ensuring that the Board is aware and kept updated on the relevant laws, regulations, listing, and policy requirements governing BAT Malaysia and its business. This is important to ensure that the laws, regulations, listing requirements and policies are complied with.

The Company Secretary supports and works closely with the Chairman of the Board, Managing Director and the respective Chairmen and Chairwomen of the Board Committees on matters related to the Board and Board Committees. The Company Secretary also ensures that the Board members have adequate resources to fulfil their fiduciary duties and plays a key role in managing the Directors' access to information, knowledge and training.

The Company Secretary, being an advocate of adoption of corporate governance best practices, monitors corporate governance developments and assists the Board in implementing governance practices to meet the Board's needs and stakeholders' expectations.

As and when required, the Company Secretary provides advice to the Board on its roles and responsibilities, corporate disclosures and compliance with corporate governance requirements, and ensures that corporate governance are being implemented in accordance with the laws and required regulations.

The Company Secretary is also the focal point for the shareholders' communication and engagement on corporate governance issues, including any matters in relation to BAT Malaysia besides the Chairman and the Managing Director.

All Board, Board Committees and shareholders meetings are attended by the Company Secretary, who is responsible for the accuracy and adequacy of records of proceedings of the meetings and resolutions.

Division of Responsibilities

BAT Malaysia recognises the importance of the separation of the positions of the Chairman and the Managing Director to promote accountability and facilitate division of responsibilities between them.

This separation is clearly defined in the BAT Malaysia Code whereby the roles of the Chairman and the Managing Director remain separate and distinct.

The Board delegates to the Managing Director the authority and responsibility for managing the operations of the Group in accordance with the objectives and strategies established by the Board to the Managing Director. The Managing Director is also responsible for stewardship of all the Group's assets and together with the Chairman, represent the Group externally.

Corporate Governance Overview

PRINCIPLE A

CULTURE

The Board recognises its role in shaping and overseeing the Group's culture and values, and supports the Leadership Team in embedding BAT Malaysia's ethos which practices non-discrimination in any form whether based on age, gender or ethnicity throughout the organisation and this includes the selection of Board members. The Board is committed to ensuring that the Directors of BAT Malaysia possess a broad balance of skills, knowledge, experience, background, independence, and diversity, including gender diversity.

Acting with integrity is an important part of BAT Malaysia's ethos and the Board ensures that integrity remains a key area of focus. The Board composition provides diversity in terms of experience, cultural background, skills, gender, qualifications, possessing in-depth knowledge and experience of the tobacco business, which are essential for the sustainability and growth of the business, as well as to promote the interests of all shareholders.

SUCCESSION

The NRC leads the process for the Board appointments and makes recommendations to the Board. The NRC is also responsible for ensuring plans are in place for the orderly succession to both the Board and Leadership Team positions as well as overseeing the development of the talent pipeline to ensure that the future leadership needs of the Company are considered. This has been one of the key focus of the Board in 2021.

On 28 February 2021, Datuk Zainun Aishah binti Ahmad stepped down as the Senior Independent Non-Executive Director upon her completion of nine (9) years as an Independent Director. The NRC initiated the selection process for Datuk Zainun's successor using an independent executive search firm. A set of objective criteria were defined for the role, including experience, competencies and personal attributes required to fulfil the role in line with the Company's strategic directions. The NRC benchmarked the skills, experience and attributes of Norliza binti Kamaruddin against a strong list of external candidates identified and assessed during the selection process. The Board ensured that Norliza binti Kamaruddin's external appointments and other professional commitment as well as experience, qualification, leadership track, industry exposure and her personal attributes are aligned with the Company's strategic directions before the Board approved the recommendation of the NRC for the appointment of Norliza binti Kamaruddin on 30 April 2021.

In 2021, the Board also placed focus on the Non-Independent Executive Director/Managing Director's and the Non-Independent Executive Director/Finance Director's succession and transition

plan given that the former Non-Independent Executive Director/Managing Director, Jonathan Darlow Reed, had resigned on 1 September 2021 as Managing Director of BAT Malaysia to take up a position with BAT p.l.c. and the Finance Director, Ignacio Ballester resigned on 31 October 2021. In this respect, a structured plan was in place to ensure effective and smooth handovers to the incoming Non-Independent Executive Director /Managing Director and Non-Independent Executive Director/Finance Director. The NRC reviewed the capabilities of candidates proposed by BAT p.l.c., assessed the candidates' experiences, qualifications, leadership track and industry exposure, and determined the remuneration package of the incoming Non-Independent Executive Director/Managing Director and Non-Independent Executive Director/Finance Director. After due process, the Board approved the recommendations of the NRC for the appointment of Nedal Louay Salem as the new Non-Independent Executive Director/Managing Director and Anthony Yong Mun Seng as the new Non-Independent Executive Director/Finance Director of BAT Malaysia effective 1 September 2021 and 1 November 2021, respectively.

In addition, the Board and the NRC also oversaw the appointment and succession planning of the Leadership Team.

MEETINGS AND TIME COMMITMENT

Each Director is expected to commit and devote enough time in carrying out his/her role as a Director and/or member of the Board Committees that they are part of. The Board meetings for each financial year are scheduled before the end of the preceding financial year to ensure the Directors plan and fit the year's meetings into their schedules.

In addition to the above, all Directors of BAT Malaysia have complied with the Bursa Malaysia MMLR of not holding more than five directorships in listed issuers at any given time. This is to ensure the Directors do not have competing time commitments that may impair their ability to discharge their responsibilities effectively.

The Board meets quarterly to review the performance and strategies of BAT Malaysia. When a need arises, Special Board meetings will be convened such as to deliberate urgent corporate proposals or matters that require the expeditious direction of the Board. In the intervals between Board meetings, for exceptional matters requiring urgent decision from the Board, the Board's approvals are sought via circular resolutions, which are supported with adequate information required to make an informed decision. At Board meetings, active deliberations of issues by the Board are encouraged and such deliberations, decisions and conclusions are recorded by the Company Secretary accordingly. Any Director who has an interest in the subject matter to be deliberated shall abstain from deliberating and voting on the same during the meetings.

Corporate Governance Overview

PRINCIPLE A

During the financial year under review, the Board met four times. All Directors attended all the Board Meetings and AGM held during the financial year and have complied with the Bursa Malaysia MMLR in terms of attendance. This reflects the Board members' commitment and dedication in fulfilling their duties and responsibilities.

BAT MALAYSIA CODE

The Board has in place the BAT Malaysia Code, which serves as a board charter and it sets out the respective roles and responsibilities of the Board, the Board Committees, individual Directors and the Leadership Team, and matters and decisions reserved for the Board. The Board is also guided by British American Tobacco p.l.c.'s Code of Corporate Governance, which sets out various global policies and procedures that have been established.

BAT Malaysia Code revised its TOR on Sustainability, and included the MCCG 2021 requirement for audit partners to increase their cooling off period from two years to three years.

BAT Malaysia Code also outlines the number of Board meetings in the year and that the Board may convene special meetings to deal with urgent matters where necessary.

BAT Malaysia Code is available on BAT Malaysia website at www.batmalaysia.com.

DEALING IN SECURITIES

The Board has adopted the Internal Regulations on Securities Dealings applicable to Directors and key employees of the Group and their connected persons (Affected Person). The Affected Person is prohibited from trading in securities based on price sensitive information and knowledge acquired by virtue of his/her position that has not been publicly announced. During open periods, an Affected Person may only deal if he or she has made a prior written application and received written permission from the Chairman, the Managing Director or the Finance Director of BAT Malaysia and these are submitted to the Company Secretary. The Affected Person must within three business days after the dealing has occurred give notice of the dealing in writing to the Company Secretary, and BAT Malaysia announces such notice immediately through Bursa Malaysia. During the closed period (which is two months before the date of the announcement of the quarterly results of BAT Malaysia up to the date of the announcement), no dealing in the securities of BAT Malaysia by Directors and key employees is permitted. Dealings by Directors and key employees in BAT Malaysia's shares are disclosed to the Board of Directors on a quarterly basis.

There was no dealing in the securities of BAT Malaysia by the Affected Person for the financial year ended 2021. The Leadership Team does not hold any direct or indirect (deemed) shares in BAT Malaysia.

ACCESS TO INFORMATION AND ADVICE

In the discharge of their duties, all Directors have direct access to the Leadership Team and have unrestricted and immediate access to information relating to the Group's business affairs.

Prior to the Board and the Board Committee meetings, a formal and structured agenda together with a set of the Board and the Board Committee papers containing information relevant to the matters to be deliberated at the meeting are forwarded to all Directors at least five business days before the relevant Board and Board Committee meetings. This is to enable Directors to have enough time to review, consider, and if necessary, obtain further information or research on the matters to be deliberated in order to be well prepared at the meetings.

The meeting papers are presented in a manner that include, among others, comprehensive management reports, minutes of meetings, project proposals, and discussion documents regarding specific matters. Minutes of the respective Board Committees' meetings are presented to the Board at its meeting.

Through regular Board meetings, the Board receives updates on new statutory and regulatory requirements relating to the duties and responsibilities of Directors and their impact and implication to BAT Malaysia and the Directors.

Upon conclusion of the meeting, the minutes are circulated in a timely manner.

The Directors have independent access to the advice and support services of the Company Secretary to ensure timely and appropriate information flow within the Board and the Board Committees. The Board may seek independent professional advice at BAT Malaysia's expense in furtherance of their duties, subject to approval by the Chairman.

DIRECTOR'S INDUCTION, DEVELOPMENT AND TRAINING

Following their appointment to the Board, each new Director receives a comprehensive induction programme tailored to their experience, background and the requirements of the role. Consideration is also given to Committee appointments, and the Company Secretary assists the Chairman in designing and facilitating the individual programmes. They are primarily designed with the purpose of onboarding and familiarising the new Directors with the Group's business, vision, values, governance and people.

Corporate Governance Overview

PRINCIPLE A

The Board recognises the importance of ensuring that the Directors are continuously being developed to acquire or enhance the requisite knowledge and skills to discharge their duties effectively.

The following training programmes were attended by the Directors during the financial year ended 31 December 2021:

Director	Briefing/Conference/Forum/Seminar/Training/Workshop/Webinar attended	Organiser	Date
Tan Sri Dato' Seri (Dr.) Aseh bin Haji Che Mat	Sustainability is Forever	MICG	7 September 2021
	One Year On: Taking your MACC Act Section 17A Programme to the Next Level	ICDM	9 December 2021
	How Digital is Driving the Transformation	ICDM	9 December 2021
Dato' Chan Choon Ngai	Sustainability is Forever	MICG	7 September 2021
	One Year On: Taking your MACC Act Section 17A Programme to the Next Level	ICDM	9 December 2021
	How Digital is Driving the Transformation	ICDM	9 December 2021
Eric Ooi Lip Aun	MIA International Accountants Conference 2021	MIA	8 - 10 June 2021
	Raising Defences: Section 17A, MACC Act	ICLIF	9 - 10 June 2021
	Sustainability is Forever	MICG	7 September 2021
	Audit Oversight Board Conversation with Audit Committees	SC	6 December 2021
	ESG in the Leisure and Hospitality Industry	Synergio Sdn. Bhd.	7 December 2021
	One Year On: Taking your MACC Act Section 17A Programme to the Next Level	ICDM	9 December 2021
	How Digital is Driving the Transformation	ICDM	9 December 2021
	ESG briefing: Introduction to Sustainability and the Necessity for Good ESG Disclosure and Managing ESG Concerns from an Investment Holding Perspective	Joshua Rayan Communications	13 December 2021
Norliza binti Kamaruddin	Stakeholders and Community Engagement Conference	Speaker/Comfori	30 March 2021
	Malaysian Code on Corporate Governance updates	Tricor Axcelasia	22 June 2021
	Digital Public Relations	Speaker/MPI	22 July 2021
	Sustainability is Forever	MICG	7 September 2022
	Related Party Transactions and Recurrent Related Party Transactions	Tricor Global	6 September 2021
	One Year On: Taking your MACC Act Section 17A Programme to the Next Level	ICDM	9 December 2021
	How Digital is Driving the Transformation	ICDM	9 December 2021
Datuk Christine Lee Oi Kuan	Sustainability is Forever	MICG	7 September 2021
	One Year On: Taking your MACC Act Section 17A Programme to the Next Level	ICDM	9 December 2021
	How Digital is Driving the Transformation	ICDM	9 December 2021
Nedal Louay Salem	Mandatory Accreditation Programme	ICLIF	1-3 November 2021
	One Year On: Taking your MACC Act Section 17A Programme to the Next Level	ICDM	9 December 2021
	How Digital is Driving the Transformation	ICDM	9 December 2021
Anthony Yong Mun Seng	Mandatory Accreditation Programme	ICLIF	1-3 November 2021
	One Year On: Taking your MACC Act Section 17A Programme to the Next Level	ICDM	9 December 2021
	How Digital is Driving the Transformation	ICDM	9 December 2021
	Revenue Growth Management	BAT p.l.c.	28 December 2021

Notes:

Comfori	: Comfori Sdn Bhd	MICG	: Malaysian Institute of Corporate Governance
ICLIF	: Asia School of Business ICLIF Executive Education Centre	SC	: Securities Commission Malaysia
ICDM	: Institute of Corporate Directors Malaysia	Tricor Axcelasia	: Tricor Axcelasia Sdn. Bhd.
MIA	: Malaysian Institute of Accountants	Tricor Global	: Tricor Global

Corporate Governance Overview

PRINCIPLE A

REMUNERATION

BAT Malaysia's remuneration policy for its Directors is tailored to provide a remuneration package that serves to attract, retain, and motivate directors of the calibre needed to manage the business of the Group.

The NRC is responsible for reviewing and recommending to the Board, the remuneration package for the Executive Directors. For the Executive Directors of BAT Malaysia, corporate and individual performance are rewarded using an integrated pay benefits and bonus structure, and reflects the competitive nature of the Group's operations in order to contribute to its strategy. The Executive Directors who are full time employees, receive no additional compensation for services as Directors. On an annual basis, the NRC considers market competitiveness, business results, and individual performance in evaluating the Executive Directors' remuneration.

In evaluating the Managing Director's remuneration, the NRC also considers corporate and individual performance, as well as performance on a range of other factors, including accomplishment of strategic goals, and regional and global corporate performance.

The remuneration package for the Directors comprises the following elements, where applicable:

- i **Fees** – the fixed annual fees to be paid to the Non-Executive Directors.
- ii **Salaries** – the basic salaries for the Executive Directors as recommended by the NRC to the Board for approval.
- iii **Benefits-in-kind*** – Customary benefits such as provision of rented accommodation for expatriate Executive Directors, motor vehicle, club membership, and personal expenses are made available to the Executive Directors in accordance with the policies of BAT Malaysia.
- iv **Other emoluments**** – Emoluments such as retirement benefits, provision for leave, consultancy services fee, statutory contributions and incentives in the form of shares/options in shares of British American Tobacco p.l.c. Group pursuant to the British American Tobacco p.l.c. Group shares scheme.

All Non-Executive Directors are paid fixed annual director fees as members of the Board and the Board Committees. The fees payable to each Non-Executive Director are determined by the Board as authorised by the shareholders of BAT Malaysia. The amount of remuneration for each Non-Executive Director varies with the level of responsibilities undertaken by the individual Non-Executive Director.

In addition to the fixed annual Director fees, all Non-Executive Directors, save for the Chairman of the Board, are paid a meeting attendance allowance for each Committee meeting attended. Information prepared by independent consultants and survey data on the remuneration practices of comparable companies are taken into consideration in determining the remuneration packages for the Executive and Non-Executive Directors.

During the year under review, BAT Malaysia has engaged Datuk Christine Lee Oi Kuan to provide consultancy services to BAT Malaysia from 1 May 2021 to 30 September 2021 and an extended period from 1 October 2021 to 30 June 2022.

The Board believes in a competitive and transparent remuneration framework that supports the Directors and Leadership Team's responsibilities, fiduciary duties and managing material sustainability risks and opportunities of the Group to drive the Group's long-term objectives and enhance stakeholder value.

Corporate Governance Overview

PRINCIPLE A

The details of the Director's remuneration, comprising remuneration received/receivable from the Group for the financial year ended 31 December 2021, are as follows:

Directors	Fee (RM)		Allowance (RM)		Salary (RM)		Bonus (RM)		Benefits-in-kind*		Other emoluments**		Total (RM)
	Company	Subsidiaries	Company	Subsidiaries	Company	Subsidiaries	Company	Subsidiaries	Company	Subsidiaries	Company	Subsidiaries	
Independent Non-Executive Directors													
Tan Sri Dato' Seri (Dr.) Aseh bin Haji Che Mat	431,250	-	192,615	-	-	-	-	-	-	-	-	-	623,865
Dato' Chan Choon Ngai	125,000	-	19,000	-	-	-	-	-	-	-	-	-	144,000
Eric Ooi Lip Aun	150,000	-	10,000	-	-	-	-	-	-	-	-	-	160,000
Norliza binti Kamaruddin (Appointed on 30 April 2021)	73,685	-	10,000	-	-	-	-	-	-	-	-	-	83,685
Datuk Zainun Aishah binti Ahmad (Resigned on 28 February 2021)	41,667	-	8,000	-	-	-	-	-	-	-	-	-	49,667
Non-Independent Non-Executive Directors													
Datuk Christine Lee Oi Kuan	125,000	-	2,000	-	-	-	-	-	-	-	381,600	-	508,600
Executive Directors													
Nedal Louay Salem (Appointed on 1 September 2021)	-	-	-	-	216,571	-	-	-	245,924	-	651,834	-	1,114,329
Anthony Yong Mun Seng (Appointed on 1 November 2021)	-	-	-	-	136,902	-	-	-	21,908	-	106,866	-	265,676
Jonathan Darlow Reed (Resigned on 1 September 2021)	-	-	-	-	650,778	-	257,100	-	528,102	-	652,856	-	2,088,836
Ignacio Ballester (Resigned on 31 October 2021)	-	-	-	-	706,797	-	224,109	-	572,541	-	1,092,465	-	2,595,912
Total (RM)	946,602	-	241,615	-	1,711,048	-	481,209	-	1,368,475	-	2,885,621	-	7,634,570

The remuneration of the Leadership Team for the financial year ended 31 December 2021 are as follows:

Name	Range of Remuneration (RM)
Nicholas Keith Booth	1,800,000 - 1,850,000
CK Remeena Prabhakaran	1,500,000 - 1,550,000
Felicia Teh Sook-Ching	1,000,000 - 1,050,000
Genevieve Hiew	950,000 - 1,000,000
Bryce Matthew Green	850,000 - 900,000

The Managing Director's and Finance Director's remuneration were disclosed under the Directors' remuneration.

Nomination and Remuneration Committee Report

PRINCIPLE A



Our focus this year has been on Non-Executive Directors' succession and to ensure our management structure, skills and experience support the effective delivery of our long-term ambitions.

Tan Sri Dato' Seri (Dr.) Aseh bin Haji Che Mat
(Chairman of the Nomination and Remuneration Committee)

The Nomination and Remuneration Committee (NRC) is pleased to present the NRC Report for the financial year ended 31 December 2021.

COMPOSITION AND MEETINGS

During the financial year ended 31 December 2021, the NRC met six times. The composition of the NRC and the attendance record of its members are as follows:

Director	Designation	Total Meetings Attended
Tan Sri Dato' Seri (Dr.) Aseh bin Haji Che Mat (Chairman)	Independent Non-Executive Director	6/6
Dato' Chan Choon Ngai (Member)	Senior Independent Non-Executive Director	6/6
Norliza binti Kamaruddin (Member) (Appointed on 30 April 2021)	Independent Non-Executive Director	4/4
Datuk Zainun Aishah binti Ahmad (Member) (Resigned on 28 February 2021)	Senior Independent Non-Executive Director	1/1

The minutes of each NRC meeting were recorded and tabled for confirmation at the next NRC meeting and subsequently presented to the Board for notation. The Chairman of the NRC would provide a report to the Board, highlighting the significant points of discussions and recommendations for consideration at Board meetings. Matters that require the NRC's urgent decision were circulated to its members via circular resolutions together with the proposals containing relevant information for their consideration.

TERMS OF REFERENCE

The Terms of Reference (TOR) of the NRC are available in the Corporate Governance section of BAT Malaysia's website at www.batmalaysia.com.

1. Board Appointments

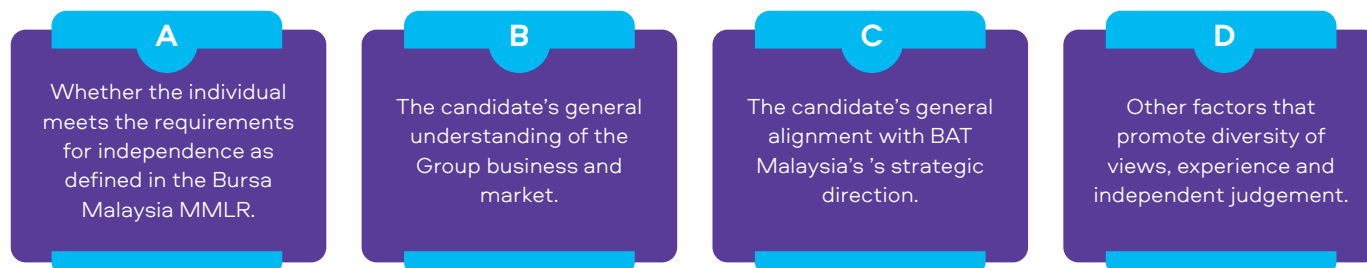
BAT Malaysia is committed to maintaining a transparent process for the selection, nomination and appointment of suitable candidates to the Board of BAT Malaysia.

The NRC is entrusted with the responsibility of assessing and considering the capabilities, professionalism, integrity, expertise and experience of candidates to be appointed as Board members and Board Committee members, taking into account the existing structure, size, gender diversity, time commitment and composition of the Board to ensure that the Board and the Board Committees have an appropriate balance of skills, expertise and knowledge for the management of the business.

Nomination and Remuneration Committee Report

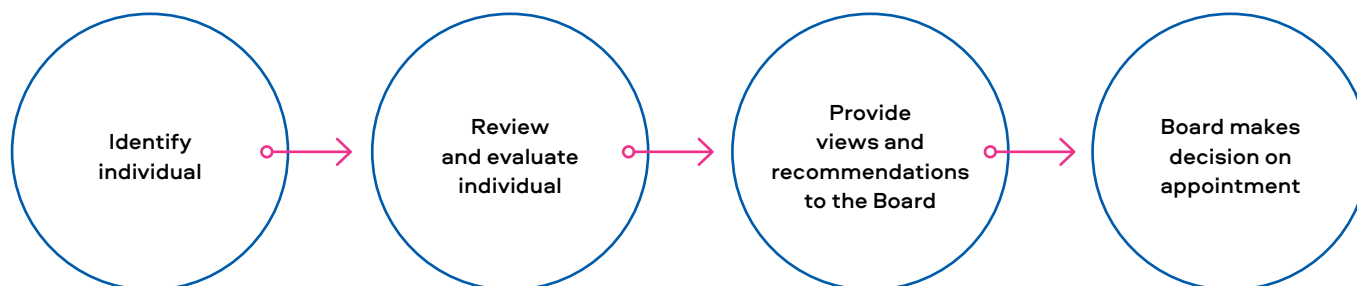
PRINCIPLE A

The NRC also takes into consideration the following:



The NRC uses independent executive search firms and/or via recommendations from existing Board members, Management and major shareholders. The Company Secretary will conduct comprehensive reference checks, including checks on financial background, character integrity and professional qualifications of shortlisted candidates. Shortlisted candidates will attend an interview with the members of the NRC to assess his or her suitability in terms of technical expertise, skills and experience, fit with the Board, availability and terms of appointment. Upon completion of the reference checks, the NRC will recommend the proposed candidate to the Board. The Board will deliberate on the recommended candidate and if deemed appropriate, shall approve the appointment of candidate as a Director of BAT Malaysia. Upon the appointment of the candidate as a new Director, a letter of appointment is issued to the new Director.

The Board appointment process is illustrated below:



2. Re-appointment and Re-election of Directors

The re-election of the Directors is done in accordance with Clauses 109.1 and 109.2 of BAT Malaysia's Constitution which provides that one-third of the Directors are subject to retirement by rotation at every Annual General Meeting (AGM) but shall be eligible for re-election provided always that all Directors shall retire from office at least once every three years. The Directors to retire in each year are the Directors who have been longest in office since their re-election.

Upon reviewing the findings of the performance assessment undertaken during the year under review for the Board as a whole, the Board Committees, individual Directors and Independent Directors, the Board is of the view that the following Directors, who are subject to re-election at the 61st AGM, have the experience, competency, integrity and professionalism in performing their respective duties.

With that, the Board with the recommendation of the NRC collectively resolved to recommend to the shareholders to vote in favour for re-election the following Directors at the 61st AGM:

- Re-election of Datuk Christine Lee Oi Kuan pursuant to Clauses 109.1 and 109.2 of the Constitution of BAT Malaysia.
- Re-election pursuant to Clause 115 of the Constitution of BAT Malaysia
 - Norliza binti Kamaruddin**
 - Nedal Louay Salem**
 - Anthony Yong Mun Seng**

Nomination and Remuneration Committee Report

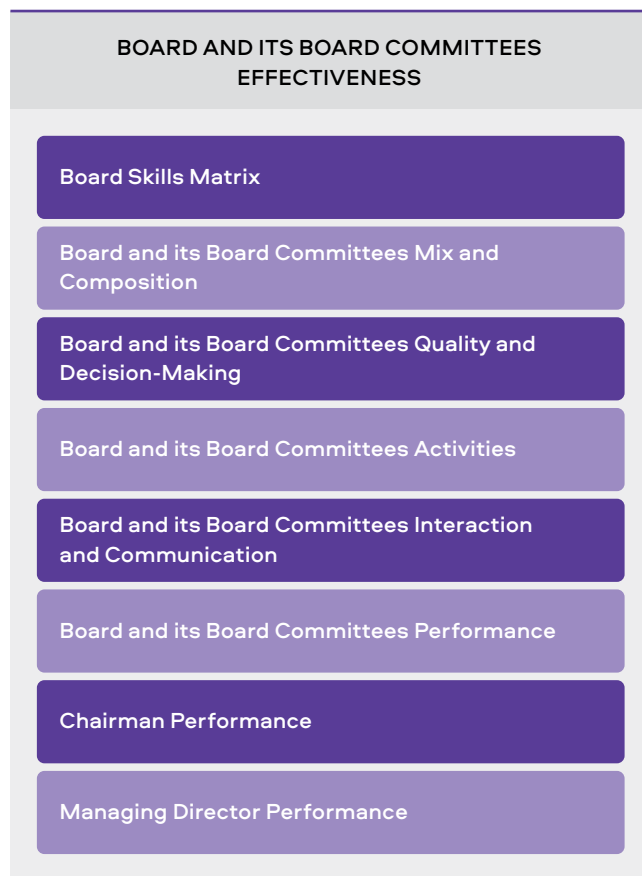
PRINCIPLE A

3. Annual Performance Assessments

The Board, with the assistance of the NRC, undertakes annual assessments of Board performance, performance of its Board Committees and performance of each Director.

For the financial year ended 31 December 2021, the assessment process was conducted through a comprehensive set of questionnaires and the summary of the findings was reported to the NRC for deliberation. Thereafter, the recommendations of the NRC were tabled to the Board. The assessment served as a guidance for the NRC and reference point for the Board to assess that a balance of skills across a wide range of areas and expertise is consistently maintained. It also addressed the gaps and training areas to enhance the Board's effectiveness.

A comprehensive assessment framework encompassing the following areas was used:



Based on the assessment, the Board concluded that the Board, its Board Committees and individual Directors are efficient and effective in discharging their oversight responsibilities during the financial year.

SUMMARY OF ACTIVITIES

The NRC carried out the following activities during the financial year ended 31 December 2021:

- Reviewed and recommended the appointment and remuneration of a new Independent Non-Executive Director, Managing Director and Finance Director.
- Recommended the re-election of Directors at the Sixtieth AGM to the Board for consideration.
- Reviewed the analysis/findings of the Directors' performance assessment of the Board, Board Committees and individual Directors for year 2020.
- Reviewed the tenure of the Independent Non-Executive Director.
- Reviewed the appointment and remuneration of the Leadership Team.
- Reviewed the NRC Report for inclusion into the Annual Report 2020.
- Reviewed the fees and benefits of Non-Executive Directors.
- Reviewed and approved the annual bonus, salary increments and remuneration package for the Leadership Team.
- Reviewed and recommended the following policies to the Board for approval:
 - Employee Recognition Scheme Policy.
 - Management Bonus Scheme Policy.
 - Corporate Club Membership Policy.
 - Employee Transfer Entitlement Policy.
 - Travel and Entertainment Policy.
 - Mobile Phone Policy.

Sustainability Committee Report

PRINCIPLE A



Sustainability is front and centre of everything we do and will ensure delivery of our purpose for “A Better Tomorrow™.”

Norliza binti Kamaruddin
(Chairwoman of the Sustainability Committee)

The SC is pleased to present the SC Report for the financial year ended 31 December 2021.

COMPOSITION AND MEETINGS

During the financial year ended 31 December 2021, the SC met two times. The composition of the SC and the attendance record of its members are as follows:

Director	Designation	Total Meetings Attended
Norliza binti Kamaruddin (Chairwoman)	Independent Non-Executive Director	2/2
Datuk Christine Lee Oi Kuan (Member)	Non-Independent Non-Executive Director	2/2
Nedal Louay Salem (Member) (Appointed on 1 September 2021)	Non-Independent Non-Executive Director	1/1
Jonathan Darlow Reed (Member) (Resigned on 1 September 2021)	Non-Independent Non-Executive Director	1/1

The minutes of each SC meeting were recorded and tabled for confirmation at the next SC meeting and subsequently presented to the Board for notation. The Chairwoman of the SC would provide a report to the Board, highlighting the significant points of discussions and recommendations for consideration at Board meetings. Matters that require the SC's urgent decision were circulated to its members via circular resolutions together with the proposals containing relevant information for their consideration.

TERMS OF REFERENCE

The TOR of the SC are available in the Corporate Governance section of BAT Malaysia's website at www.batmalaysia.com.

SUMMARY OF ACTIVITIES

The SC carried out and/or deliberated on the following activities during the financial year ended 31 December 2021:

- Reviewed the Group's sustainability strategy.
- Reviewed the Group's sustainability initiatives and activities in relation to harm reduction, environmental, social and governance.
- Appointment of the Chief Sustainability Officer.

Ethical and Procedural Standards

PRINCIPLE A

BAT Malaysia is committed to upholding high ethical and procedural standards that are aligned with the values and objectives of BAT Malaysia. To this end, BAT Malaysia has in place internal policies, standards, guidelines, procedures and codes in support of BAT Malaysia's corporate governance framework. Some of the key internal policies, standards, guidelines, procedures and codes are outlined below:

A. STANDARDS OF BUSINESS CONDUCT

A set of key policies, expressing the high standards of integrity the Group is committed to upholding. The areas covered by the SOBC are Whistleblowing, Conflicts of Interest, Bribery and Corruption, Entertainment and Gifts, Respect in the Workplace, Human Rights and Operations, Political Contributions, Charitable Contributions, Accurate Accounting and Record-keeping, Protection of Corporate Assets, Confidentiality and Information Security, Insider Dealing and Market Abuse, Competition Law and Anti-Trust Laws, Money Laundering and Anti-Terrorism, Trade in Products and Sanctions and Principles for Engagement.

The SOBC requires all employees to act with high standards of business integrity and with this, the Group has in place an Anti-Corruption Toolkit, which identifies the key controls that the Group is to have in place, in order to support strict compliance with the SOBC. BAT Malaysia is also a signatory of the Malaysian Corporate Integrity Pledge, which was signed on 19 February 2014, demonstrating BAT Malaysia's commitment to upholding anti-corruption in the conduct of its business.

B. SUPPLIER CODE OF CONDUCT

The Supplier Code of Conduct complements the Standards of Business Conduct by defining the minimum standards that the suppliers of the Group are expected to adhere to. The areas covered by this Code are Legal Compliance, Respecting Human Rights, Environmental Sustainability, Responsible Marketing and Business Integrity.

C. CODE OF PRACTICE ON SEXUAL HARASSMENT

This Code ensures all employees are treated with respect and dignity regardless of gender and states that any form of sexual harassment which disrupts or interferes with the work performance and dignity of another will not be tolerated.

D. COMPETITION COMPLIANCE GUIDELINES

The Group, in 2009, launched the Competition Compliance Guidelines to ensure that the Group's practices will be following competition laws ahead of the passing of the Competition Act 2010, which came into force in Malaysia in January 2012. The Competition Compliance Guidelines set out the general principles and standards of behaviour in relation to competition laws that employees are required to follow and comply with.

E. EMPLOYMENT PRINCIPLES

These Principles demonstrate the Group's commitment to good employment practices and the Group's position as an employer of choice.

F. GUIDELINES ON EMPLOYEE ENGAGEMENT

These Guidelines govern employee engagement and consultation on matters that are of interest to employees such as their employment status and key employment terms.

G. GUIDELINES ON DAWN RAID

These Guidelines set out the procedures to be adhered to in the event of any raid by relevant authorities so that appropriate cooperation can be provided in a prompt and efficient manner.

H. INTERNATIONAL MARKETING PRINCIPLES

These Principles are the Group's internal framework to govern all aspects of tobacco marketing.

I. POLICY ON BUSINESS SECURITY

This Policy provides for effective business-focused security throughout the Group.

J. POLICY ON DATA PROTECTION

This Policy governs an adequate level of personal data protection pursuant to the collecting, processing, disclosing and cross-border transfer of personal data, including that relating to current, past and prospective employees, consumers, customers, enquirers, complainants, suppliers, contractors, business associates and other agents of the Group. This Policy also reflects the British American Tobacco p.l.c. Group's Data Protection Policy, which incorporates current international standards for the protection of personal data and specific elements to comply with the Malaysian Personal Data Protection Act 2010 (PDPA).

K. POLICY ON INDIRECT PROCUREMENT

This Policy outlines the processes for obtaining the best overall value and quality for each amount spent and ensures timely delivery of goods and services to meet the Group's business requirements.



For more on our Ethical and Procedural Standards, please scan the QR code

Audit Committee Report

PRINCIPLE B EFFECTIVENESS AUDIT AND RISK MANAGEMENT



Eric Ooi Lip Aun
(Chairman)

The AC is pleased to present the AC Report for the financial year ended 31 December 2021.

COMPOSITION AND MEETINGS

During the financial year ended 31 December 2021, the AC met four (4) times. The composition of the AC and the attendance record of its members are as follows:

Director	Designation	Total Meetings Attended
Eric Ooi Lip Aun (Chairman)	Independent Non-Executive Director	4/4
Dato' Chan Choon Ngai (Member)	Senior Independent Non-Executive Director	4/4
Norliza binti Kamaruddin (Member) (Appointed on 30 April 2021)	Independent Non-Executive Director	3/3
Datuk Zainun Aishah binti Ahmad (Resigned on 28 February 2021)	Senior Independent Non-Executive Director	1/1

The Finance Director, the external auditors and a permanent invitee from British American Tobacco p.l.c. Group's Internal Audit team were invited to AC meetings and they attended all the meetings held during the financial year to brief the AC on pertinent issues.

The AC Chairman engaged with Management, the external auditors and the Internal Auditors on a continuous basis to keep abreast of matters affecting the Group. Where significant issues were noted, the AC Chairman communicated and conferred with other AC members, either through emails or in meetings.

The minutes of each AC meeting were recorded and tabled for confirmation at the next AC meeting and subsequently presented to the Board for notation. The Chairman of the AC provided a report to the Board, highlighting the significant points of discussions and recommendations for consideration at Board meetings.

TERMS OF REFERENCE

The Terms of Reference (TOR) of the AC are available in the Corporate Governance section of BAT Malaysia's website at www.batmalaysia.com.

Audit Committee Report

PRINCIPLE B

SUMMARY OF ACTIVITIES

The AC carried out the following activities during the financial year ended 31 December 2021:

1. Financial Reporting

The AC reviewed the quarterly financial results and annual audited financial statements of the Group and recommended the same to the Board for approval. The reviews were focused particularly on significant changes to accounting policies and practices, adjustments arising from the audits, compliance with relevant accounting standards and other legal requirements to ensure that the financial statements presented a true and fair view of the Group's financial performance.

2. Internal Audit

- a. Reviewed the 2021 Internal Audit plan of the Group to ensure adequate coverage of the key risks of the Group and that there were adequate resources within the Internal Audit team to carry out the audit plan.
- b. Reviewed the three-year rolling plan for the Group developed by Internal Audit through a comprehensive planning process that identified and prioritised potential auditable areas and audit coverage.
- c. Reviewed the internal control processes and considered recommendations and improvements to be implemented by Management arising from the audit findings.
- d. Reviewed the implementation status of agreed audit actions to ensure timely implementation by Management.
- e. Reviewed and reported the summary of minutes related to the Group from the Asia Pacific and Middle East Regional Audit and CSR Committee meetings.

External Audit

- a. Reviewed the external auditors' report which summarised key findings arising from the audit of the financial statements for the year ended 31 December 2020 and reviewed the Directors' Statement on Risk Management and Internal Control.
- b. Reviewed with the external auditors their audit plan for the financial year ended 31 December 2021 which outlined audit materiality, audit scope, methodology and timing of audit, key milestones, involvement of IT specialists, audit focus areas including, tax audit, Route-To-Market,

adoption and transition of accounting standards and proposed fees for the audit services rendered by the external auditors for the financial year ended 31 December 2021.

- c. Reviewed the written assurance provided by the external auditors in respect of their independence.
- d. Met with the external auditors twice without the presence of the Executive Directors and Management during the year under review.

3. Related Party Transactions

- a. Reviewed and discussed reports on related party transactions (RPT), recurrent RPT (RRPT) and possible conflict of interest transactions to ensure that all RPT and RRPT were undertaken on an arm's length basis and on normal commercial terms, consistent with the Group's usual business practices and policies, which were not more favourable than those generally available to the public and other suppliers and were not detrimental to the minority shareholders.
- b. Monitored the threshold of the RPT and RRPT to ensure compliance with the Bursa Malaysia MMLR.
- c. Reviewed and recommended to the Board for approval, the Circular to Shareholders in relation to the proposed renewal of shareholders' mandate for the Company and its subsidiaries to enter into RRPT of the revenue or trading nature with related parties.

4. Annual Reporting

Reviewed and endorsed the Statement on Corporate Governance, AC Report, Standards of Business Conduct Statement, Statement on Risk Management and Internal Control and Sustainability Report for the Board's approval and inclusion in the Annual Report 2020.

5. Other Activities

- a. Deliberated on the Group's 2-Year cashflow forecast.
- b. Deliberated on reports on whistleblowing and breaches of the Standards of Business Conduct incidents.
- c. Deliberated on security, safety matters and loss reports.
- d. Assessed the performance of the internal auditors and external auditors.

Audit Committee Report

PRINCIPLE B

- e. Deliberated on environmental, health and safety review reports.
- f. Deliberated on reports on the Control Navigator and Immediately Reportable Incidents.
- g. Deliberated on reports on financial record-keeping and reporting under the Sarbanes-Oxley Act.
- h. Conducted a self-assessment on the performance of the AC.
- i. Deliberated KPMG PLT's Inaugural Audit Transparency Report.

INTERNAL AUDIT FUNCTION

The function of Internal Audit for the Group is fulfilled through the Global Audit function of British American Tobacco p.l.c. Group's Internal Audit. This approach ensures a high level of independence and gives access to more skilled and specialised resources than would otherwise be available within the Group.

British American Tobacco p.l.c. Group Internal Audit is staffed by over fifty (50) personnel with relevant professional qualifications. They comply with the Group's Standards of Business Conduct and provide independent assurance.

As a permanent invitee of the AC, British American Tobacco p.l.c. Group Internal Audit has direct access to both the AC and the AC Chairman, and reports all matters related to controls and audit findings. British American Tobacco p.l.c. Group Internal Audit assists the AC in reviewing the effectiveness of the Group's internal controls and processes, while ensuring that there is an appropriate balance of risk and control in achieving its business objectives.

Any proposal by Management regarding the appointment, transfer and removal of Internal Audit staff requires prior approval of the AC. Any inappropriate restrictions on audit scope are to be reported to the AC. The Internal Audit reports relevant to the Group are presented and reported by the Internal Audit Manager at the AC meeting on a quarterly basis.

The development of the annual audit plan continues to be risk-based, taking into consideration the evolving nature of the business and the Group. The annual audit plan is developed based on the following:

- a. Key risks faced by the Group.
- b. Continued progress towards a globally integrated enterprise.
- c. Changes introduced by the global operating model.

As such, the following types of audits exist, namely Process Audits (including IT), Audits of Change, End Market Accountability Audits, Operations Audits and Other Audits.

- a. Process Audits cover an end-to-end audit on business processes across multiple entities of the Group.
- b. Audits of Change focus on significant business change initiatives, including key projects and programmes.
- c. End Market Accountability Audits consider the Group's Top Risks.
- d. Operations Audits to provide assurance over the core of the Group's business and the ability to supply high-quality finished goods in line with the evolving needs of the business and regulatory agenda.
- e. Other Audits are audits that are conducted arising from direct requests, either due to an incident, or a request from Management or a request from the AC.

During the financial year 2021, the subject matter of audits and findings conducted by the BAT p.l.c. Group Internal Audit were as follows:

- a. Internal Audit Assurance Review of the Route-To-Market project.
- b. Anti-Illlicit Trade Regulatory Interpretation and Compliance.

As the Internal Audit Function is in-house and part of British American Tobacco p.l.c., there is no cost re-charged to BAT Malaysia.

Risk Management Committee Report

PRINCIPLE B



Eric Ooi Lip Aun
(Chairman)

The Risk Management Committee (RMC) is pleased to present the RMC Report for the financial year ended 31 December 2021.

COMPOSITION AND MEETINGS

During the financial year ended 31 December 2021, the RMC met four (4) times. The composition of the RMC and the attendance record of its members are as follows:

Director	Designation	Total Meetings Attended
Eric Ooi Lip Aun (Chairman)	Independent Non-Executive Director	4/4
Dato' Chan Choon Ngai (Member)	Senior Independent Non-Executive Director	4/4
Anthony Yong Mun Seng (Member) (Appointed on 1 November 2021)	Non-Independent Executive Director	N/A
Datuk Zainun Aishah binti Ahmad (Resigned on 28 February 2021)	Senior Independent Non-Executive Director	1/1
Norliza binti Kamaruddin (Member) (Appointed on 30 April 2021) (Resigned on 31 May 2021)	Independent Non-Executive Director	1/1
Ignacio Ballester (Member) (Resigned on 31 October 2021)	Non-Independent Executive Director	4/4

The Chief Risk Officer and Internal Auditors were invited to RMC meetings and they attended all the meetings held during the financial year to brief the RMC on pertinent issues.

The minutes of each RMC meeting were recorded and tabled for confirmation at the next RMC meeting and subsequently presented to the Board for notation. The Chairman of the RMC provided a report to the Board, highlighting the significant points of discussion and recommendations for consideration at Board meetings.

TERMS OF REFERENCE

The TOR of the RMC are available in the Corporate Governance section of BAT Malaysia's website at www.batmalaysia.com.

SUMMARY OF ACTIVITIES

The RMC carried out and/or deliberated on the following activities during the financial year ended 31 December 2021:

- Reviewed the Group's Risk Management Programme, which includes the Group's Top 21 risks and mitigating actions to ensure that all major risks were well managed and reported to the Board.
- Reviewed and deliberated on the COVID-19 related risks and mitigating actions.
- Reviewed and deliberated on Route-To-Market's risks and mitigation actions.
- Reviewed the Group's business continuity plans as part of its business continuity management.
- Conducted robust risk assessments and reviewed mitigation plans for new projects.

Effective Communication With Stakeholders

PRINCIPLE C INTEGRITY IN CORPORATE REPORTING AND MEANINGFUL RELATIONSHIPS WITH STAKEHOLDERS

The Board recognises the importance of effective and proactive engagements with the shareholders and stakeholders.

BAT Malaysia has a dedicated Corporate Finance team that meets with key institutional investors and analysts on a regular basis and answers queries from the shareholders.

The timely release of financial results on a quarterly basis provides an up-to-date view of the Group's performance and operations. A quarterly briefing for fund managers, institutional investors and investment analysts, as well as the media, is held concurrently with the release of the quarterly financial results to Bursa Malaysia. The quarterly briefings are intended not only to promote the dissemination of the financial results of the Group to as wide an audience of investors, shareholders and media as possible, but also to keep the investing public and other stakeholders updated on the progress and development of the business of the Group. This is further testimony to the Group's continued commitment to transparency.

In view of the COVID-19 restrictions, the engagement programme was adapted to leverage digital interaction, enabling more investor contact through a broader range of event formats. During the financial year ended 31 December 2021, BAT Malaysia held four (4) quarterly briefings and hosted thirty-eight (38) teleconferences with fund managers, institutional investors and investment analysts.

The primary contact for investor relation matters is as follows:

Name : Anthony Yong Mun Seng
 Designation : Finance Director
 Email : fdooffice_malaysia@bat.com

CONDUCT OF GENERAL MEETINGS

BAT Malaysia acknowledges that good corporate governance requires active participation of the shareholders in the decision-making process at BAT Malaysia's Annual General Meeting (AGM). The AGM is the principal forum for dialogue and communication between the shareholders and the Board. At the 60th AGM conducted on 22 April 2021, all members of the Board were present to respond to the questions raised by the shareholders or proxies. The Chairman of the Board chaired the 60th AGM in an orderly manner and allowed the shareholders the opportunity to participate remotely and submit questions using Remote Participation and Voting (RPV) facilities. This demonstrated the Group's commitment to shareholders, while taking every precaution to safeguard shareholders' safety and well-being.

The AGM serves as a forum for the shareholders to view the Group's performance and highlights for the year, the industry overview, business transformation updates and financial highlights. During the 60th AGM, the shareholders used the RPV facilities to pose questions on the deliberations of the proposed resolutions or on the Group's operations in general. The Chairman and the Board answered questions posed, where possible, and BAT Malaysia provided email responses to questions that were not addressed within five working days from the date of the 60th AGM.

Additionally, detailed answers on questions raised by the Minority Shareholders Watch Group (MSWG) were shared with all shareholders during the 60th AGM.

The Notice of the 60th AGM (Notice) was issued to shareholders at least 28 days prior to the 60th AGM, which allowed shareholders sufficient time to make the necessary arrangements to attend the 60th AGM or to appoint a proxy(ies) to participate and vote on their behalf. The Notice was published in the local English and Bahasa Malaysia newspapers and made available on BAT Malaysia's website at www.batmalaysia.com.

The summary of the 60th AGM (including the attendance of Directors, questions raised by shareholders and the respective responses, outcomes of the online voting (e-voting) results and replies to the MSWG's queries) was made available to the shareholders and public at www.batmalaysia.com.

REMOTE E-VOTING

BAT Malaysia had RPV facilities in place to facilitate remote e-voting on the resolutions at its 60th AGM. All resolutions set out in the Notice were voted on remotely using the RPV facilities. The remote e-voting processes were explained during the general meeting and the remote e-voting poll results were verified by appointed scrutineers.

Statement on Risk Management and Internal Control

RESPONSIBILITY

The Board recognises the importance of sound risk management practices and internal controls to safeguard shareholders' investments and the Group's assets. The Board affirms its overall responsibility for the Group's system of risk management and internal control, which includes the establishment of an appropriate control environment and framework, and a review of its adequacy and integrity. The Board as such is responsible for determining the nature and extent of the strategic risks that the Group is willing to take to achieve its objectives, whilst in parallel maintaining sound risk management and systems of internal control. By virtue of the controversial nature of the industry in which we operate, the Board does not consider its strategic risk appetite to be high, and it seeks to minimise risks at an operational level.

The Board tasked the Management to identify and assess the risks faced by the Group, and thereafter design, implement, and monitor appropriate internal controls to control and mitigate those risks. The Group has in place a systematic application of processes (outlined below) for identifying, evaluating, monitoring, and managing significant risks faced by the Group, and this process includes reviewing and updating the system of internal controls to take into consideration changes in the regulatory, business, and external environment. This process is reviewed by the Board via the Audit Committee and the Risk Management Committee. The Audit Committee's responsibilities and duties can be found in the Audit Committee Report section, whilst the Risk Management Committee's responsibilities are explained in the Risk Management Committee Report section of this Annual Report.

There are inherent limitations to any system of internal control and the system is designed to manage and minimise impact rather than completely eliminate risks that may impact the achievement of the Group's business objectives. Accordingly, it can only provide reasonable but not absolute assurance against material misstatement or loss. The system of internal control covers, inter alia, financial, operational and compliance controls, and risk management procedures.

The Group's Standards of Business Conduct underpin our commitment to good corporate behaviour and are an integral part of the Group's system of corporate governance. The Standards of Business Conduct require all employees to act with high standards of business integrity, comply with all applicable laws and regulations, and ensure that business standards are not compromised for the sake of results. Our Standards of Business Conduct are made available to our stakeholders and employees on our corporate website at www.batmalaysia.com.

ENTERPRISE RISK MANAGEMENT

OBJECTIVES

- Preserve the safety and health of the Group's employees.
- Ensure the continuity of the Group's products to consumers and customers at all times.
- Protect the Group's assets and reputation.
- Ensure that the Group's operations do not impact negatively on the community in which it operates and the environment.
- Protect the interests of all other stakeholders.
- Promote a risk awareness culture where risk management is an integral aspect of the Group's management systems.
- Ensure compliance with the Malaysian Code of Corporate Governance, British American Tobacco p.l.c. guidelines, and all applicable laws.

Statement on Risk Management and Internal Control



Risk Management Committee

The Group's Risk Management Committee is led by the Chairman who is an Independent Non-Executive Director. The committee comprises three (3) members, majority of whom are independent. The Committee meets quarterly to consider the risk registers proposed by the Risk Management Team and its mitigation action plans. The Chief Risk Officer assists the Committee to review, monitor, and assess the effectiveness of the Group's implementation of risk mitigation actions in managing key risks.

Risk Management Team

The Group's Risk Management Team is led by the Finance Director and comprises senior managers from all functions of the Group. It meets formally at least two (2) times a year to review and update the risk register; and monthly to assess the status of risk mitigation action plans.

RISK MANAGEMENT TEAM RESPONSIBILITIES

- Steer the Group's enterprise risk management programme.
- Promote a pro-active risk awareness culture in the Group.
- Conduct an annual review of the business risks.
- Coordinate the development and implementation of risk mitigation action plans.
- Develop and update business continuity plans for key business risks.
- Plan and coordinate the testing of business continuity plans.
- Organise training and education for employees on risk management.

Statement on Risk Management and Internal Control

ENTERPRISE RISK MANAGEMENT PROCESS (FIGURE 1)



Five Phase Enterprise Risk Management Process (as per Figure 1)

(1) Risk Identification

All potential events that could adversely impact the achievement of business objectives, including failure to capitalise on opportunities, are identified.

(2) Risk Evaluation

The identified business risks are then evaluated to determine their impact on the relevant business strategy/objectives and whether the risks are likely to occur (as per Figure 2) taking into account the degree of internal control and risk management measures in place:

- LIKELIHOOD of the risks crystallising
- IMPACT of the consequence

Assessment against a set of pre-specified criteria on a scale of one to three is completed for both Likelihood and Impact, the combination of which provides the total risk rating, ranging from one to nine. Risks are then categorised on the Risk Heat Map, which maps the significance of the risks to the Group and determines the relative prioritisation and focus for risk mitigation.

The outcome of the risk identification and evaluation process is both a Risk Heat Map and a comprehensive Risk Register that documents all identified business risks.

(3) Risk Mitigation

In completing the Risk Register, Risk Owners are responsible for identifying action plans to manage and mitigate the risks, together with a timeline for completion of the actions. The Risk Owners are senior managers of the Group.

RISK HEAT MAP (FIGURE 2)

		LIKELIHOOD		
		1	2	3
IMPACT	HIGH	3	6	9
	MEDIUM	2	4	6
	LOW	1	2	3

Key Focus Area ■

Statement on Risk Management and Internal Control

A variety of risk management measures are used to manage the identified risks, as outlined in the table below:

RISK MANAGEMENT MEASURES	SUB CATEGORY	DESCRIPTION
ACCEPT	Acceptance	Accept the risk as it is rated, with no further action and maintain the control procedures that are already in place.
RETAIN	Loss prevention	Implement proactive risk mitigation (control measures and practices) to reduce likelihood of the risk crystallising.
	Loss reduction	Implement reactive risk mitigation (control measures and practices) to reduce the impact and consequences if a risk materialises.
TRANSFER	Insurance	Purchase insurance for insurable risks, e.g. fire, theft, etc.
	Contract	Protection clauses in contracts, e.g. indemnity clauses, etc.
	Sharing of risks	Joint venture or partnerships.
	Outsourcing	Third party to assume risk.

(4) Risk Monitoring

Ongoing risk monitoring is conducted by the Risk Management Team to assess whether any conditions associated with a particular risk have changed, and to ensure that action and risk mitigation plans have been implemented. Status of action/mitigation plans are communicated to the Risk Management Committee quarterly.

(5) Risk Review

Finally, the Group's Enterprise Risk Management process is subject to periodic reviews by the Management to ensure that the policy and objectives of the programme remain applicable and effective under changing market and regulatory environments. This is complemented by internal control practices such as compliance with the Malaysian Code on Corporate Governance and the British American Tobacco p.l.c. Key Control Checklist.

BUSINESS CONTINUITY AND CRISIS MANAGEMENT

Business Continuity is defined as the strategic and tactical capability of the Group to plan for and respond to incidents and business disruptions to continue business operations at an acceptable pre-defined level to avoid negative impact on the business.

In 2021, the Group had seventeen (17) Business Continuity Plans (BCPs) in place to manage the various potential disruptions that could impact the Group. Examples are the Site Recovery Plan, Internal Supply Chain Plan, IT Recovery Plan, Loss of Key Personnel Plan, and Pandemic Plan.

These plans are reviewed and updated for content by the owners on an annual basis. In addition, a desktop review/simulation is conducted by the plan owners with the support of the crisis response team members periodically based on the cyclical testing schedule.

In addition, the Group has a structured approach to crisis management to ensure leadership and timely decision-making in the event of a crisis and to manage the situation effectively within minimal time.

Our approach involves immediate formation of a Crisis Management Team, assisted by a Crisis Response Team and Communications Team. The responsibilities of these teams are outlined as per Figure 3.

Statement on Risk Management and Internal Control

**KEY RISKS TO THE GROUP**

The Group views three key risks that have the ability to significantly impact the Group:

1. COVID-19 pandemic.
2. Threat from illegal trade for tobacco.
3. Adverse tobacco regulations.

In addition to the above, the Group is subject to the ever-present risk of competitor actions. Steps to anticipate, mitigate, and neutralise such risks are core to our business.

2021 RISK MANAGEMENT ACTIVITIES**Review of the Group's Risks**

The Risk Management Team reviewed and assessed the Group's risks formally twice during the year, in January and June 2021. The team monitored the progress of key activities for the year, including the progress of the BCPs testing. On top of that, the Risk Management Team updated the Leadership Team on the progress of the mitigation actions on a monthly basis.

On a quarterly basis, the Risk Management Committee was briefed by the Chief Risk Officer on the Group's Enterprise Risk Management Programme. The briefing includes updates on the key risks of the Group and risk mitigation plans, and the status of the BCPs testing.

Promotion of Risk Awareness

Risk communication is equally important and forms an integral part of the risk management activity as it focuses on the dissemination of risk information to appropriate levels of employees and stakeholders. Appropriate channels are available for employees to provide feedback on risk management issues and suggestions for improvement.

During the year, company-wide risk and control awareness programmes were conducted for all employees throughout the nation. The objective of the programmes was to raise risk and control awareness within the Group and to emphasise on the important role of control to ensure business risks were assessed and mitigated.

Crisis Management Activation

In 2020, the Crisis Management and Crisis Response Teams were activated in response to COVID-19 pandemic. The Crisis Management and Response Teams remained active in 2021 and had taken measures to protect the employees and assets of the Group, and ensure the continuity of its business by:

- a. having work from home arrangement for our employees to ensure their safety and health.
- b. maintaining sufficient level of stock to avoid supply disruption.
- c. taking the necessary precautionary steps to deliver goods to customers.
- d. continuously monitoring our cashflow liquidity.
- e. ensuring that employees strictly adhere to the Standard Operating Procedures (SOPs) issued by the National Security Council and the Ministry of Health at all times.

As a result, there was minimal disruption to the business.

Significant Risk Mitigation Activities

During the year, the Group carried out a series of mitigating activities in response to the risks resulted from the national lockdown due to the COVID-19 pandemic and implementation of its new route to market strategy. With mitigating activities put in, the high impact and likelihood of the risks were reduced to manageable levels.

Statement on Risk Management and Internal Control

BCPs Desktop Review and Simulations

During the year, desktop reviews and simulations were conducted by the BCPs owners, with the support of the Crisis Response Team members, across the seventeen BCPs.

The reviews and simulations indicated that the existing plans were still relevant to the current business environment.

SYSTEM OF INTERNAL CONTROL

Control Self-Assessment (CSA) Process

Central to the Group's system of internal control is its Control Self-Assessment process and the backbone of this process is a key control checklist known as the Control Navigator. The Control Navigator sets out various key controls and process requirements across all functions in the Group. The Group's CSA process requires controls and processes to be self-assessed for effectiveness on an annual basis. Where control gaps/weaknesses are identified, corrective actions and timelines are identified and agreed. The findings from the CSA and year-on-year trend analysis are reported to the Audit Committee annually.

The self-assessment is carried out via a SAP-enabled tool, which provides a standardised central solution that automates and monitors key risks and controls at business level. The tool allows the business to use a combination of automated work flows, certification, manual controls, and interactive reports to monitor control and compliance activities across the Group. This has resulted in an improved visibility of assessment throughout the business, improved transparency of issues management and remediation, together with streamlining reporting.

In 2021, the Group's Control Navigator was refreshed and updated.

Financial Reporting Controls

The Group has in place a series of policies, practices, and controls in relation to the financial reporting and consolidation process,

which are designed to address key financial reporting risks, including risks arising from changes in the business or accounting standards. The Finance Director is required to confirm annually that all information relevant to the Group audit has been provided and that reasonable steps have been taken to ensure full disclosure in response to requests for information from the external auditor. In addition, it is our practice for the Finance Director to review account reconciliations on a bi-annual basis.

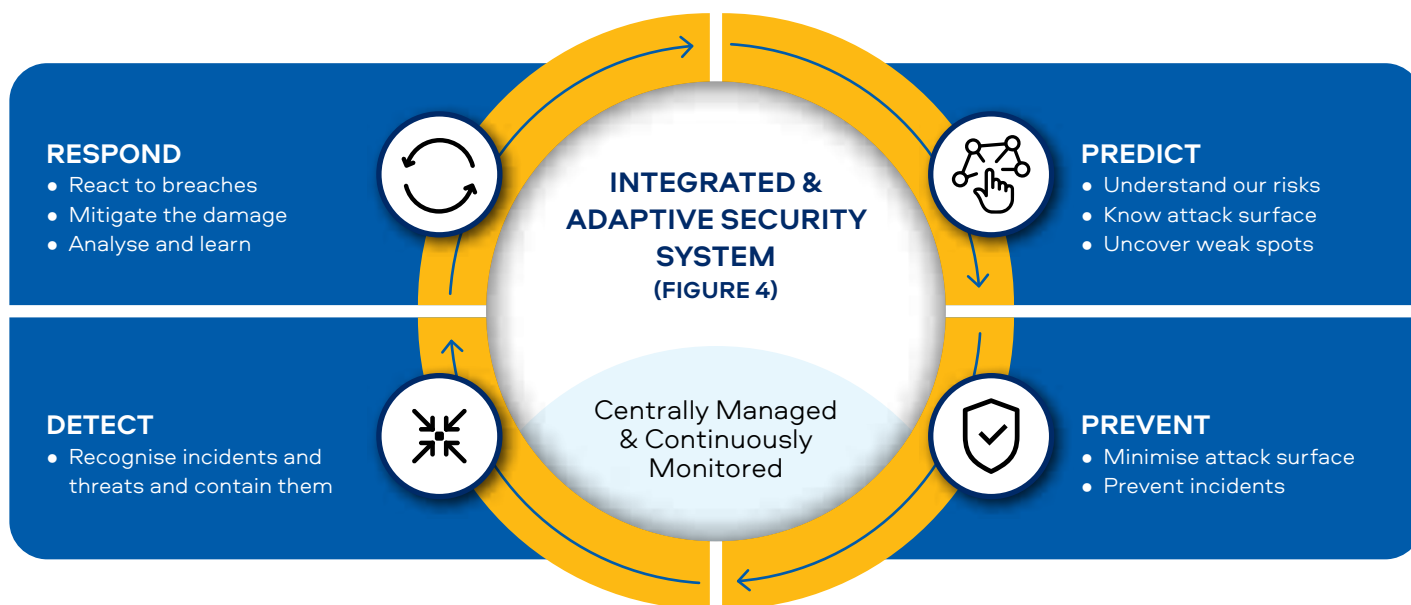
The effectiveness of the Group's financial reporting controls is assessed through self-certification as part of the Control Navigator exercise. The integrity of the Group's public financial reporting is further supported by a number of processes and steps to provide assurance over the completeness and accuracy of the content, including review and recommendation by the Audit Committee, and review and approval by the Board.

Information Technology (IT)

The Group's Information Technology (IT) security programme is centred around the "Predict, Prevent, Detect and Respond" framework, where each step in the cycle plays a role in decreasing the risk of information security failure or attack (as per Figure 4).

The Group with the assistance of professional information security companies can predict the higher occurrence of any information security threats and with that implement prevention activities and controls to prevent or mitigate against the likelihood of an attack. The preventive activities cover technology hygiene in terms of compliance to recognised industry security standards for system configuration, continuous testing to ensure readiness of recovery action, and training users to avoid being compromised by social-based attacks.

The next step in the IT Security programme is detection where technical controls are put in place to detect anomalies. After thorough assessment, the Group then responds by reacting to the breaches and mitigating any resulting damages.



Statement on Risk Management and Internal Control

Internal Audit

The role of Internal Audit for the Group is fulfilled through the Global Audit function of British American Tobacco p.l.c. Group Internal Audit. This approach ensures a high level of independence and gives access to more skilled and specialised resources, particularly in respect of Information Technology (IT), than would otherwise be available within the Group. A permanent invitee from the Global Audit function attends Audit Committee meetings and is the liaison between the Audit Committee and Global Audit. The annual audit planning cycle takes direct input from both the risk register described above, and the Audit Committee. In turn, the Audit Committee formally approves the scope of work for the year. Furthermore, the Audit Committee can request immediate assistance from Global Audit for any matter it considers appropriate.

The British American Tobacco p.l.c. Group Internal Audit undertakes risk-based audit reviews structured in line with the operating model of the British American Tobacco p.l.c. Group. As such, three types of audits exist, namely Process Audits, Project and Programmes Audits, and Others. The scope of Process Audits is on processes across multiple British American Tobacco p.l.c. entities. Project and Programmes Audits are focused on significant projects or programmes. Others are audit reviews that are the consequence of a direct request, either due to an incident, the Management's request, or the Audit Committee's concerns.

More details on the audit activities conducted during the year can be found in the Audit Committee Report in this Annual Report.

External Audit

In the course of conducting the annual statutory audit of the Group's consolidated financial statements, the external auditors review and where applicable based on judgment, will highlight any significant audit, accounting, and internal control matters that require attention of the Board and the Audit Committee. Results of the findings on the above are reported to the Audit Committee and the Management once a year post substantial completion of the year-end audit. Additionally, the external auditors attend the quarterly Audit Committee meetings, and where applicable will provide views on any related matters for the attention of the Audit Committee. At least twice a year, the Audit Committee shall meet the external auditors without the Executive Directors and Management being present. This year, the Audit Committee have met twice with the external auditors without the Executive Directors and the Management being present.

Other Key Elements of the System of Internal Control

Apart from the above, other key elements of the Group's internal control and risk management system that have been reviewed and approved by the Board are described below:

(a) Policies, Procedures and Limits of Authority

- Clearly defined delegation of responsibilities to the Board Committees and to the Management, including organisation structures and appropriate authority levels.
- Clearly documented internal policies, standards, and procedures are in place and are regularly updated to reflect changing risks or to resolve operational deficiencies. All policies are approved by the Board and cases of non-compliance to policies and procedures that are in place are reported to the Board and the Audit Committee by exception.

(b) Immediately Reportable Incidents

- The Group adheres to the British American Tobacco p.l.c. control procedure termed 'Immediately Reportable Incidents'. This process seeks to capture breakdowns in basic controls and expedite the reporting and immediate action thereof. Seven areas of basic control issues are considered: (1) Reconciliation of Accounts Issue; (2) Reporting Issue; (3) Stock Control Issue; (4) Procurement Issue; (5) Segregation of Duties, Access, Password, and Related Issues; (6) Effective Market Focus Demand Issue; and (7) Trade Debtor Management.

(c) Strategic Business Plan, Budget and Performance Review

- Regular and comprehensive information provided by the Management for monitoring of performance against the strategic plan, covering all key financial and operational indicators. On a quarterly basis, the Managing Director reviews with the Board all key performance metrics and highlights any issues.
- Annually, a detailed budgeting process is completed for the year ahead, which is discussed and approved by the Board.
- Effective reporting systems are in place to monitor business performance against business plans. Key changes to business plans are reported to the Board.

(d) Insurance and Physical Safeguard

- Adequate insurance and physical security of major assets are in place to ensure that the assets of the Group are sufficiently covered against any mishap that will result in material losses to the Group.

Statement on Risk Management and Internal Control

Sarbanes Oxley (SOX)

As a result of the acquisition of Reynolds American Incorporated (RAI), British American Tobacco p.l.c. is subject to US securities law, including Sarbanes-Oxley Act of 2002 (the Act). British American Tobacco p.l.c. had assigned the eleven sections of the Act to respective functional owners as stipulated below:

Public Company Accounting Oversight Board (PCAOB) Indirect impact 1	Auditor Independence Internal Audit 2	Corporate Responsibility Finance, Human Resources (HR) and Legal and External Affairs (LEX) 3	Enhanced Financial Disclosure ★ Finance and LEX 4
Analyst Conflicts of Interest No impact 5	Commission Resources and Authority No impact 6	Studies and Reports No impact 7	Corporate and Criminal Fraud Accountability LEX 8
White-Collar Crime Penalty Enhancements LEX 9	Corporate Tax Returns Tax 10	Corporate Fraud and Accountability LEX and HR 11	

The Group has adopted the framework designed by British American Tobacco p.l.c. during the year. The Group being part of British American Tobacco p.l.c. is required to implement additional internal controls and procedures to deliver a heightened control environment.

CONTROL MATTERS

No significant deficiency or material weakness were reported in 2021.

BOARD ASSESSMENT

The Board is of the view that the Group's overall risk management and internal control system is operating adequately and effectively and has received the same assurance from both the Managing Director and Finance Director of the Group. The Board confirms that the risk management process in identifying, evaluating, and managing significant risks faced by the Group has been in place throughout 2021 and up to the date of approval of this statement. The Board is also of the view that the Group's system of internal control is robust and is able to detect any material losses, contingencies, or uncertainties that would require disclosure in the Group's 2021 Annual Report.

This Statement is made in accordance with the resolution of the Board of Directors on 8 February 2022.

REVIEW OF THE STATEMENT BY EXTERNAL AUDITORS

The external auditors have reviewed this Statement on Risk Management and Internal Control pursuant to the scope set out in Audit and Assurance Practice Guide (AAPG) 3, *Guidance for Auditors on Engagements to Report on the Statement on Risk Management and Internal Control included in the Annual Report* issued by the Malaysian Institute of Accountants (MIA) for inclusion in the annual report of the Group for the year ended 31 December 2021, and reported to the Board that nothing has come to their attention that causes them to believe that the statement intended to be included in the annual report of the Group, in all material respects:

- has not been prepared in accordance with the disclosures required by paragraphs 41 and 42 of the Statement on Risk Management and Internal Control: Guidelines for Directors of Listed Issuers.
- is factually inaccurate.

Audit and Assurance Practice Guide (AAPG) 3 does not require the external auditors to consider whether the Directors' Statement on Risk Management and Internal Control covers all risks and controls, or to form an opinion on the adequacy and effectiveness of the Group's risk management and internal control system including the assessment and opinion by the Board of Directors and Management thereon. The auditors are also not required to consider whether the processes described to deal with material internal control aspects of any significant problems disclosed in the annual report will, in fact, remedy the problems.

Other Compliance Information

1. UTILISATION OF PROCEEDS

There were no proceeds raised by BAT Malaysia from any corporate proposal during the financial year ended 31 December 2021.

2. AUDIT AND NON-AUDIT FEES

The amount of audit fees paid or payable to the external auditors, KPMG PLT, for services rendered to the Group for the financial year ended 31 December 2021, are as follows:

	BAT Malaysia (RM)	Group (RM)
Audit fees	387,000	606,000
Non-audit fees	246,000	246,000

3. MATERIAL CONTRACTS INVOLVING DIRECTORS AND MAJOR SHAREHOLDERS' INTERESTS

There were no material contracts entered into by the Group involving Directors and Major Shareholders' interests, either still subsisting at the end of the financial year ended 31 December 2021 or, if not then subsisting, entered into since the end of the previous financial year.

4. RECURRENT RELATED PARTY TRANSACTIONS OF A REVENUE OR TRADING NATURE

During BAT Malaysia's Sixtieth (60th) Annual General Meeting held on 22 April 2021, the Group had obtained a renewal and new Recurrent Related Party Transaction (Recurrent RPTs) mandate with certain related parties (as defined in the Circular to Shareholders dated 24 March 2021). The Recurrent RPTs conducted during the financial year ended 31 December 2021 pursuant to the said mandate are disclosed in pages 178 to 180 of this Annual Report.

Financial Performance





BAT Malaysia is fully committed to best practices in financial reporting to uphold the interests of our stakeholders.

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Directors' Responsibility Statement

The Directors are required by the Companies Act 2016 (the Act) to prepare the financial statements for each financial year which have been made out in accordance with the provisions of the Act and the applicable approved accounting standards set out by Malaysian Accounting Standards Board so as to give a true and fair view of the state of affairs of the Group and the Company at the end of the financial year as well as of the results and cash flows of the Group and the Company for the financial year.

In preparing the financial statements, the Directors are satisfied that the applicable approved accounting standards in Malaysia have been complied with and reasonable and prudent judgments and estimates have been made.

The Directors are responsible to ensure that the Group and the Company keep accounting records which disclose the financial position of the Group and the Company with reasonable accuracy, enabling them to ensure that the financial statements comply with the Act.

The Directors have overall responsibility for taking such steps necessary to safeguard the assets of the Group and to prevent and detect fraud and other irregularities.

Directors' Report

The Directors have pleasure in submitting their report to the members together with the audited financial statements of the Group and of the Company for the financial year ended 31 December 2021.

Principal Activities

The Company is principally engaged in providing day-to-day management and administrative services to its subsidiaries which are principally engaged in the sales, marketing and importation of cigarettes, pipe tobaccos, cigars, devices, other tobacco products and nicotine products. The details of the subsidiaries are as stated in Note 13 to the financial statements.

There have been no significant changes in the nature of the Company's activities during the financial year.

Results

	Group RM'000	Company RM'000
Profit for the year attributable to Shareholders of the Company	284,861	261,955

Reserves and Provisions

There were no material transfers to or from reserves and provisions during the financial year under review except as disclosed in the financial statements.

Dividends

Since the end of the previous financial year, the Company paid:

- i) fourth interim ordinary dividend of 27 sen per ordinary share totalling RM77,093,100 in respect of the financial year ended 31 December 2020 on 9 March 2021.
- ii) first interim ordinary dividend of 21 sen per ordinary share totalling RM59,961,300 in respect of the financial year ended 31 December 2021 on 30 June 2021.
- iii) second interim ordinary dividend of 24 sen per ordinary share totalling RM68,527,200 in respect of the financial year ended 31 December 2021 on 20 August 2021.
- iv) third interim ordinary dividend of 26 sen per ordinary share totalling RM74,237,800 in respect of the financial year ended 31 December 2021 on 25 November 2021.

The Directors declared a fourth interim ordinary dividend of 27 sen per ordinary share at the Board of Directors' meeting on 8 February 2022 amounting to RM77,093,100 in respect of the financial year ended 31 December 2021 which will be paid on 4 March 2022 to shareholders registered in the Company's Register of Members at the close of business on 23 February 2022. These financial statements do not reflect the fourth interim ordinary dividend which will be accounted for in the financial year ending 31 December 2022.

The Board of Directors do not recommend the payment of a final dividend in respect of the financial year ended 31 December 2021.

Directors' Report

Directors of the Company

Directors who served during the financial year until the date of this report are:

Tan Sri Dato' Seri (Dr) Aseh Bin Haji Che Mat	(Chairman)
Dato' Chan Choon Ngai	
Datuk Zainun Aishah Binti Ahmad	(Resigned on 28 February 2021)
Datuk Lee Oi Kuan (f)	
Eric Ooi Lip Aun	
Jonathan Darlow Reed	(Resigned on 1 September 2021)
Ignacio Ballester	(Resigned on 31 October 2021)
Nedal Louay Salem	(Appointed on 1 September 2021)
Anthony Yong Mun Seng	(Appointed on 1 November 2021)
Norliza binti Kamaruddin (f)	(Appointed on 30 April 2021)

The name of the directors of the Company's subsidiaries in office since the beginning of the financial year to the date of this report are:

Genevieve Hiew (f)	
C.K. Remeena A/P C.K. Prabhakaran (f)	
Song Yik Lin (f)	(Resigned on 28 February 2021)
Bryce Matthew Green	(Appointed on 28 February 2021)
Rohan Gnanaganesan	(Appointed on 28 February 2021)

Directors' Interests in Shares

The interests in the ordinary shares and share options of the Company and of its related corporations of those who were Directors at the end of the financial year as recorded in the Register of Directors' Shareholdings are as follows:

	Number of ordinary shares			
	At 1.1.2021	Bought	Sold	At 31.12.2021

Company

Shareholdings in the name of the Director:

Dato' Chan Choon Ngai	1,000	-	-	1,000
Datuk Lee Oi Kuan (f)	100	-	-	100

	Number of ordinary shares in British American Tobacco p.l.c.			
	At 1.1.2021/ *date of appointment	Bought	Sold	At 31.12.2021

Ultimate Holding Company

- British American Tobacco p.l.c.

Shareholdings in the name of the Director:

Datuk Lee Oi Kuan (f)	30,370	2,478	-	32,848
Nedal Louay Salem	45,000*	489	(489)	45,000

Directors' Report

Directors' Interests in Shares (continued)

	Number of ordinary shares in British American Tobacco p.l.c.			
	At date of appointment	Awarded	Vested	At 31.12.2021

Ultimate Holding Company

- British American Tobacco p.l.c.

Deferred Share Bonus Scheme & International Share Reward Scheme

Shareholdings in the name of the Director:

Nedal Louay Salem	5,687	-	-	5,687
Anthony Yong Mun Seng	2,715	-	-	2,715

	Number of options in ordinary shares in British American Tobacco p.l.c.			
	At date of appointment	Granted	Exercised	At 31.12.2021

Ultimate Holding Company

- British American Tobacco p.l.c.

Long-Term Incentive Plan

Shareholdings in the name of the Director:

Nedal Louay Salem				
LTIP (28 March 2029)	2,796	-	-	2,796
LTIP (30 March 2030)	1,986	-	-	1,986
LTIP (29 March 2031)	1,942	-	-	1,942

Some of the shares and options in the ultimate holding company held by Directors arose as a result of the Directors' participation in the employee share schemes offered by British American Tobacco p.l.c. (British American Tobacco p.l.c. indirectly through British American Tobacco Holdings (Malaysia) B.V., owns fifty percent equity interest in the Company and is the Company's ultimate holding company). Further details on the employee share schemes offered by British American Tobacco p.l.c. are provided in Note 24 to the financial statements.

Directors' Benefits

Since the end of the previous financial year, no Director has received nor become entitled to receive any benefit (other than the benefits included in the aggregate amount of emoluments received or due and receivable by Directors as shown in Note 5 or the fixed salary of full time employees of the Company or of related corporations) by reason of a contract made by the Company or a related corporation with the Director or with a firm of which the Director is a member, or with a company in which the Director has a substantial financial interest other than consultancy fees paid to a Director as disclosed in Note 5 to the financial statements.

Directors' Report

Directors' Benefits (continued)

During and at the end of the financial year, no arrangements subsisted to which the Company is a party, being arrangements with the object or objects of enabling Directors of the Company to acquire benefits by means of the acquisition of shares in, or debentures of the Company or any other body corporate pursuant to requirements under the Companies Act 2016, other than as may arise from equity-settled share-based compensation plans offered by British American Tobacco p.l.c. (British American Tobacco p.l.c. is the ultimate holding company) as disclosed in Note 24 to the financial statements.

Issue of Shares and Debentures

There were no changes in the issued and paid-up capital of the Company during the financial year. There were no debentures issued during the financial year.

Options Granted over Unissued Shares

No options were granted to any person to take up unissued shares of the Company during the financial year.

Indemnity and Insurance Costs

During the financial year, Directors and Officers of the Group are covered under the Directors' and Officers' Liability Insurance in respect of liabilities arising from acts committed in their respective capacity as, inter alia, Directors and Officers of the Group subject to the terms of the policy. The total indemnity coverage and premiums paid in respect of Directors' and Officers' Liability Insurance for the Directors and Officers of the Group were RM4,223,000 and RM11,000 respectively.

There were no indemnity and insurance costs effected for auditors of the Group and of the Company during the financial year.

Other Statutory Information

Before the financial statements of the Group and of the Company were made out, the Directors took reasonable steps to ascertain that:

- i) all known bad debts had been written off and that adequate provision had been made for doubtful debts; and
- ii) any current assets which were unlikely to be realised in the ordinary course of business have been written down to an amount which they might be expected so to realise.

At the date of this report, the Directors are not aware of any circumstances:

- i) that would render the amounts written off for bad debts or the amount of the provision for doubtful debts in the Group and in the Company inadequate to any substantial extent; or
- ii) that would render the value attributed to the current assets in the financial statements of the Group and of the Company misleading; or
- iii) which have arisen render adherence to the existing method of valuation of assets or liabilities of the Group and of the Company misleading or inappropriate; or
- iv) not otherwise dealt with in this report or the financial statements that would render any amount stated in the financial statements of the Group and of the Company misleading.

Directors' Report

Other Statutory Information (continued)

At the date of this report, there does not exist:

- i) any charge on the assets of the Group or of the Company that has arisen since the end of the financial year and which secures the liability of any other person; or
- ii) any contingent liability in respect of the Group or of the Company which has arisen since the end of the financial year.

No contingent liability or other liability of any company in the Group has become enforceable, or is likely to become enforceable within the period of twelve months after the end of the financial year which, in the opinion of the Directors, will or may substantially affect the ability of the Group and of the Company to meet their obligations as and when they fall due.

In the opinion of the Directors, the financial performance of the Group and of the Company for the financial year ended 31 December 2021 have not been substantially affected by any item, transaction or event of a material and unusual nature nor has any such item, transaction or event occurred in the interval between the end of that financial year and the date of this report.

Holding Companies

The Directors regard British American Tobacco Holdings (Malaysia) B.V. (incorporated in Netherlands) as its immediate holding company and British American Tobacco p.l.c. (incorporated in England and Wales) as its ultimate holding company.

Auditors

The auditors, KPMG PLT, have indicated their willingness to continue in office. The Directors had endorsed the recommendation of the Audit Committee for KPMG PLT to be re-appointed as auditors.

The auditors' remuneration is disclosed in Note 4 to the financial statements.

Signed on behalf of the Board of Directors in accordance with a resolution of the Board of Directors:



Nedal Louay Salem
Managing Director



Anthony Yong Mun Seng
Finance Director

Kuala Lumpur

Date: 8 February 2022

Income Statements

for the year ended 31 December 2021

	Note	Group		Company	
		2021 RM'000	2020 RM'000	2021 RM'000	2020 RM'000
Revenue	3	2,637,255	2,315,481	276,920	300,998
Cost of sales		(1,962,415)	(1,718,270)	-	-
Gross profit		674,840	597,211	276,920	300,998
Other operating income		638	899	345	507
Distribution and marketing costs		(158,024)	(150,505)	-	-
Administrative expenses		(99,048)	(91,663)	(8,642)	(7,196)
Other operating expenses		(7,211)	(9,485)	-	-
Profit from operations		411,195	346,457	268,623	294,309
Finance costs		(17,078)	(17,172)	(4,419)	(7,141)
Profit before tax	4	394,117	329,285	264,204	287,168
Tax expense	7	(109,256)	(87,446)	(2,249)	(1,706)
Profit for the year		284,861	241,839	261,955	285,462

The notes on pages 122 to 180 are an integral part of these financial statements.

Statements of Other Comprehensive Income

for the year ended 31 December 2021

	Note	Group		Company	
		2021 RM'000	2020 RM'000	2021 RM'000	2020 RM'000
Profit for the year		284,861	241,839	261,955	285,462
Other comprehensive income, net of tax:					
Items that may be subsequently reclassified to income statement					
- changes in fair value of cash flow hedges	21	6,370	(4,815)	-	-
- deferred tax on fair value changes on cash flow hedges	14	(1,529)	1,155	-	-
Total other comprehensive income/(expense) for the financial year, net of tax		4,841	(3,660)	-	-
Total comprehensive income for the financial year		289,702	238,179	261,955	285,462
Profit attributable to:					
Shareholders of the Company		284,861	241,839	261,955	285,462
Total comprehensive income for the financial year attributable to:					
Shareholders of the Company		289,702	238,179	261,955	285,462
Basic earnings per ordinary share (sen)	8	99.8	84.7		

The notes on pages 122 to 180 are an integral part of these financial statements.

Balance Sheets

as at 31 December 2021

	Note	Group		Company	
		2021 RM'000	2020 RM'000	2021 RM'000	2020 RM'000
Assets					
Property, plant and equipment	10	46,445	57,540	24,880	30,070
Computer software	11	3,271	-	-	-
Goodwill	12	411,618	411,618	-	-
Subsidiaries	13	-	-	723,395	723,395
Deferred tax assets	14	6,220	15,455	1,644	3,771
Total non-current assets		467,554	484,613	749,919	757,236
Inventories	16	177,641	229,942	-	-
Tax recoverable		1,540	3,865	38	544
Trade and other receivables	17	723,030	396,454	16,157	13,089
Derivative financial instruments	21	456	93	-	-
Cash and bank balances		21,827	29,002	18,593	17,185
Total current assets		924,494	659,356	34,788	30,818
Total assets		1,392,048	1,143,969	784,707	788,054
Equity					
Share capital		142,765	142,765	142,765	142,765
Cash flow hedge reserve		(330)	(5,171)	-	-
Retained earnings		240,087	235,045	331,503	349,367
Total equity attributable to the owners of the Company	18	382,522	372,639	474,268	492,132
Liabilities					
Lease liabilities	22	14,638	19,218	13,943	17,245
Total non-current liabilities		14,638	19,218	13,943	17,245
Trade and other payables	19	190,960	198,835	293,187	275,212
Borrowings	20	775,000	510,000	-	-
Derivative financial instruments	21	842	7,002	-	-
Lease liabilities	22	5,274	6,307	3,309	3,465
Current tax liabilities		22,812	29,968	-	-
Total current liabilities		994,888	752,112	296,496	278,677
Total liabilities		1,009,526	771,330	310,439	295,922
Total equity and liabilities		1,392,048	1,143,969	784,707	788,054

The notes on pages 122 to 180 are an integral part of these financial statements.

Consolidated Statement of Changes in Equity

for the year ended 31 December 2021

	Note	Non-distributable			Distributable	Total RM'000
		Share capital RM'000	Cash flow hedge reserve RM'000	Share- based payment reserve RM'000	Retained earnings RM'000	
Group						
At 1 January 2021		142,765	(5,171)	-	235,045	372,639
Profit for the year		-	-	-	284,861	284,861
Other comprehensive income/ (expense):						
- changes in fair value of cash flow hedges	21	-	6,370	-	-	6,370
- deferred tax on fair value changes on cash flow hedges	14	-	(1,529)	-	-	(1,529)
Total comprehensive income		-	4,841	-	284,861	289,702
Transactions with shareholders:						
Expense arising from equity- settled share-based payment transactions	24	-	-	3,490	-	3,490
Recharge of share-based payments	24	-	-	(3,490)	-	(3,490)
Dividends for financial year ended 31 December 2020						
- fourth interim	9	-	-	-	(77,093)	(77,093)
Dividends for financial year ended 31 December 2021						
- first interim	9	-	-	-	(59,961)	(59,961)
- second interim	9	-	-	-	(68,527)	(68,527)
- third interim	9	-	-	-	(74,238)	(74,238)
Total transactions with shareholders of the Company		-	-	-	(279,819)	(279,819)
At 31 December 2021		142,765	(330)	-	240,087	382,522

Consolidated Statement of Changes in Equity

for the year ended 31 December 2021

(Continued)

	Note	← Non-distributable →			Distributable	Total RM'000
		Share capital RM'000	Cash flow hedge reserve RM'000	Share-based payment reserve RM'000	Retained earnings RM'000	
Group						
At 1 January 2020		142,765	(1,511)	-	247,327	388,581
Profit for the year		-	-	-	241,839	241,839
Other comprehensive (expense)/ income:						
- changes in fair value of cash flow hedges	21	-	(4,815)	-	-	(4,815)
- deferred tax on fair value changes on cash flow hedges	14	-	1,155	-	-	1,155
Total comprehensive income		-	(3,660)	-	241,839	238,179
Transactions with shareholders:						
Expense arising from equity- settled share-based payment transactions	24	-	-	2,960	-	2,960
Recharge of share-based payments	24	-	-	(2,960)	-	(2,960)
Dividends for financial year ended 31 December 2019	9	-	-	-	(94,225)	(94,225)
- fourth interim						
Dividends for financial year ended 31 December 2020						
- first interim	9	-	-	-	(48,540)	(48,540)
- second interim	9	-	-	-	(51,395)	(51,395)
- third interim	9	-	-	-	(59,961)	(59,961)
Total transactions with shareholders of the Company		-	-	-	(254,121)	(254,121)
At 31 December 2020		142,765	(5,171)	-	235,045	372,639

The notes on pages 122 to 180 are an integral part of these financial statements.

Statement of Changes in Equity

for the year ended 31 December 2021

	Note	← Non-distributable →		Distributable	Total RM'000
		Share capital RM'000	Share- based payment reserve RM'000	Retained earnings RM'000	
Company					
At 1 January 2021		142,765	-	349,367	492,132
Profit for the year		-	-	261,955	261,955
Total comprehensive income		-	-	261,955	261,955
Transactions with shareholders:					
Expense arising from equity-settled share-based payment transactions	24	-	2,361	-	2,361
Recharge of share-based payments	24	-	(2,361)	-	(2,361)
Dividend for financial year ended 31 December 2020					
- fourth interim	9	-	-	(77,093)	(77,093)
Dividends for financial year ended 31 December 2021					
- first interim	9	-	-	(59,961)	(59,961)
- second interim	9	-	-	(68,527)	(68,527)
- third interim	9	-	-	(74,238)	(74,238)
Total transactions with shareholders of the Company		-	-	(279,819)	(279,819)
At 31 December 2021		142,765	-	331,503	474,268

Statement of Changes in Equity

for the year ended 31 December 2021

(Continued)

	Note	← Non-distributable →		Distributable	Total RM'000
		Share capital RM'000	Share-based payment reserve RM'000	Retained earnings RM'000	
Company					
At 1 January 2020		142,765	-	318,026	460,791
Profit for the year		-	-	285,462	285,462
Total comprehensive income		-	-	285,462	285,462
Transactions with shareholders:					
Expense arising from equity-settled share-based payment transactions	24	-	2,118	-	2,118
Recharge of share-based payments	24	-	(2,118)	-	(2,118)
Dividend for financial year ended 31 December 2019					
- fourth interim	9	-	-	(94,225)	(94,225)
Dividends for financial year ended 31 December 2020					
- first interim	9	-	-	(48,540)	(48,540)
- second interim	9	-	-	(51,395)	(51,395)
- third interim	9	-	-	(59,961)	(59,961)
Total transactions with shareholders of the Company		-	-	(254,121)	(254,121)
At 31 December 2020		142,765	-	349,367	492,132

The notes on pages 122 to 180 are an integral part of these financial statements.

Statements of Cash Flows

for the year ended 31 December 2021

	Note	Group		Company	
		2021 RM'000	2020 RM'000	2021 RM'000	2020 RM'000
Operating activities					
Cash receipts from customers and fellow subsidiaries		2,366,425	2,355,177	71,418	119,115
Cash paid to suppliers, employees and fellow subsidiaries		(2,225,222)	(2,091,486)	(69,022)	(106,541)
Dividends received from subsidiaries		-	-	269,757	294,146
Cash from operations	23	141,203	263,691	272,153	306,720
Income tax (paid)/refund		(106,381)	(67,576)	384	1,352
Net cash flow from operating activities		34,822	196,115	272,537	308,072
Investing activities					
Property, plant and equipment					
- additions	10	(2,364)	(3,424)	(688)	(1,436)
- disposals		892	1,585	-	336
Addition of computer software	11	(3,271)	-	-	-
Assets held for sale					
- disposals		-	620	-	620
Capital repayment from a subsidiary		-	-	-	250,000
Interest income received		598	863	491	489
Net cash flow used in investing activities		(4,145)	(356)	(197)	250,009
Financing activities					
Dividends paid to shareholders	9	(279,819)	(254,121)	(279,819)	(254,121)
Interest expense paid on borrowings		(16,405)	(16,280)	(3,853)	(6,348)
Net drawdown of borrowings	20	265,000	89,000	-	-
Drawdown/(Repayment) to subsidiary		-	-	17,106	(289,442)
Payment on lease liabilities		(5,955)	(4,850)	(3,800)	(2,478)
Interest paid in relation to lease liabilities		(673)	(892)	(566)	(793)
Net cash flow used in financing activities		(37,852)	(187,143)	(270,932)	(553,182)
Net (decrease)/ increase in cash and bank balances		(7,175)	8,616	1,408	4,899
Cash and bank balances at 1 January		29,002	20,386	17,185	12,286
Cash and bank balances at 31 December		21,827	29,002	18,593	17,185

The notes on pages 122 to 180 are an integral part of these financial statements.

Notes to the Financial Statements

British American Tobacco (Malaysia) Berhad is a public limited liability company, incorporated and domiciled in Malaysia and is listed on the Main Market of Bursa Malaysia Securities Berhad. The address of the registered office and principal place of business of the Company is as follows:

Registered Office and Principal Place of Business

Level 19, Guoco Tower
Damansara City
No. 6, Jalan Damanlela
Bukit Damansara
50490 Kuala Lumpur

The consolidated financial statements of the Company as at and for the financial year ended 31 December 2021 comprise the Company and its subsidiaries (together referred to as the "Group" and individually referred to as "Group entities").

The Company is principally engaged in providing day-to-day management and administrative services to its subsidiaries which are principally engaged in the sales, marketing and importation of cigarettes, pipe tobaccos, cigars, devices, other tobacco products and nicotine products. The details of the subsidiaries are as stated in Note 13 to the financial statements.

The Directors regard British American Tobacco Holdings (Malaysia) B.V. (incorporated in Netherlands) and British American Tobacco p.l.c. (incorporated in England and Wales), as its immediate and ultimate holding company respectively.

These financial statements were authorised for issue by the Board of Directors on 8 February 2022.

1. Basis of Preparation

(a) Statement of Compliance

The financial statements of the Group and of the Company have been prepared in accordance with Malaysian Financial Reporting Standards (MFRSs), International Financial Reporting Standards and the requirements of the Companies Act 2016 in Malaysia.

The following are accounting standards, interpretations and amendments of the MFRSs that have been issued by the Malaysian Accounting Standards Board ("MASB") but have not been adopted by the Group and the Company:

MFRSs, interpretations and amendments effective for annual periods beginning on or after 1 January 2022

- Amendments to MFRS 1, *First-time Adoption of Malaysian Financial Reporting Standards (Annual Improvements to MFRS Standards 2018–2020)*
- Amendments to MFRS 3, *Business Combinations – Reference to the Conceptual Framework*
- Amendments to MFRS 9, *Financial Instruments (Annual Improvements to MFRS Standards 2018–2020)*
- Amendments to Illustrative Examples accompanying MFRS 16, *Leases (Annual Improvements to MFRS Standards 2018–2020)*
- Amendments to MFRS 116, *Property, Plant and Equipment – Proceeds before Intended Use*
- Amendments to MFRS 137, *Provisions, Contingent Liabilities and Contingent Assets – Onerous Contracts – Cost of Fulfilling a Contract*
- Amendments to MFRS 141, *Agriculture (Annual Improvements to MFRS Standards 2018–2020)*

Notes to the Financial Statements

1. Basis of Preparation (continued)**(a) Statement of Compliance (continued)*****MFRSs, Interpretations and amendments effective for annual periods beginning on or after 1 January 2023***

- MFRS 17, *Insurance Contracts*
- Amendments to MFRS 17, *Insurance Contracts – Initial application of MFRS 17 and MFRS 9 – Comparative Information*
- Amendments to MFRS 101, *Presentation of Financial Statements – Classification of Liabilities as Current or Non-current and Disclosures of Accounting Policies*
- Amendments to MFRS 108, *Accounting Policies, Changes in Accounting Estimates and Errors – Definition of Accounting Estimates*
- Amendments to MFRS 112, *Income Taxes – Deferred Tax related to Assets and Liabilities arising from a Single Transaction*

MFRSs, Interpretations and amendments effective for annual periods beginning on or after a date yet to be confirmed

- Amendments to MFRS 10, *Consolidated Financial Statements and MFRS 128, Investments in Associates and Joint Ventures – Sale or Contribution of Assets between an Investor and its Associate or Joint Venture.*

The Group and the Company plan to apply the abovementioned accounting standards, interpretations and amendments, where applicable:

- from the annual period beginning on 1 January 2022 for those accounting standards, interpretations and amendments that are effective for annual periods beginning on or after 1 January 2022; and
- from the annual period beginning on 1 January 2023 for those accounting standards, interpretations and amendments that are effective for annual periods beginning on or after 1 January 2023.

The Group and the Company do not plan to apply MFRS 17, *Insurance Contracts* that is effective for annual period beginning on 1 January 2023 as it is not applicable to the Group and the Company.

The initial application of the accounting standards, interpretations or amendments are not expected to have any material financial impact to the Group and the Company.

(b) Basis of Measurement

The financial statements have been prepared on the historical cost basis other than disclosed in Note 2.

(c) Functional and Presentation Currency

These financial statements are presented in Ringgit Malaysia (“RM”), which is the Company’s functional currency. All financial information is presented in RM and has been rounded to the nearest thousand, unless otherwise stated.

(d) Use of Estimates and Judgements

The preparation of the financial statements in conformity with MFRSs requires management to make judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses. Actual results may differ from these estimates.

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimates are revised and in any future periods affected.

Notes to the Financial Statements

1. Basis of Preparation (continued)

(d) Use of Estimates and Judgements (continued)

There are no significant areas of estimation uncertainty and critical judgements in applying accounting policies that have significant effect on the amounts recognised in the financial statements other than those disclosed in the following notes:

- Note 10 – extension options and incremental borrowing rate in relation to lease
- Note 12 – impairment of goodwill
- Note 14 – deferred tax
- Note 30 – provision for restructuring expenses

2. Significant Accounting Policies

The accounting policies set out below have been applied consistently to the periods presented in these financial statements and have been applied consistently by the Group entities, unless otherwise stated.

(a) Basis of Consolidation

(i) Subsidiaries

Subsidiaries are entities, including structured entities, controlled by the Company. The financial statements of subsidiaries are included in the consolidated financial statements from the date that control commences until the date that control ceases.

The Group controls an entity when it is exposed, or has rights, to variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. Potential voting rights are considered when assessing control only when such rights are substantive. The Group also considers it has *de facto* power over an investee when, despite not having the majority of voting rights, it has the current ability to direct the activities of the investee that significantly affect the investee's return.

Investments in subsidiaries are measured in the Company's balance sheet at cost less any impairment losses, unless the investment is classified as held for sale or distribution. The cost of investment includes transaction costs.

(ii) Business Combinations

Business combinations are accounted for using the acquisition method from the acquisition date, which is the date on which control is transferred to the Group.

For new acquisitions, the Group measures the cost of goodwill at the acquisition date as:

- the fair value of the consideration transferred; plus
- the recognised amount of any non-controlling interests in the acquiree; plus
- if the business combination is achieved in stages, the fair value of the existing equity interest in the acquiree; less
- the net recognised amount (generally fair value) of the identifiable assets acquired and liabilities assumed.

When the excess is negative, a bargain purchase gain is recognised immediately in income statement.

For each business combination, the Group elects whether it measures the non-controlling interests in the acquiree either at fair value or at the proportionate share of the acquiree's identifiable net assets at the acquisition date.

Notes to the Financial Statements

2. Significant Accounting Policies (continued)**(a) Basis of Consolidation (continued)****(ii) Business Combinations (continued)**

Transaction costs, other than those associated with the issue of debt or equity securities, that the Group incurs in connection with a business combination are expensed as incurred.

(iii) Acquisitions of non-controlling Interests

The Group accounts for all changes in its ownership interest in a subsidiary that do not result in a loss of control as equity transactions between the Group and its non-controlling interest holders. Any difference between the Group's share of net assets before and after the change, and any consideration received or paid, is adjusted to or against the Group reserves.

(iv) Loss of Control

Upon the loss of control of a subsidiary, the Group derecognises the assets and liabilities of the former subsidiary, any non-controlling interests and the other components of equity related to the former subsidiary from the consolidated balance sheet. Any surplus or deficit arising on the loss of control is recognised in the income statement. If the Group retains any interest in the former subsidiary, then such interest is measured at fair value at the date that control is lost. Subsequently, it is accounted for as an equity-accounted investee or as a financial asset depending on the level of influence retained.

(v) Transactions Eliminated on Consolidation

Intra-group balances and transactions, and any unrealised income and expenses arising from intra-group transactions, are eliminated in preparing the consolidated financial statements.

(b) Foreign Currency**Foreign Currency Transactions**

Transactions in foreign currencies are translated to the respective functional currencies of the Group at exchange rates at the dates of the transactions.

Monetary assets and liabilities denominated in foreign currencies at financial year end are retranslated to the functional currency at the exchange rate at that date.

Non-monetary assets and liabilities denominated in foreign currencies are not retranslated at the end of the reporting date, except for those that are measured at fair value are retranslated to the functional currency at the exchange rate at the date that the fair value was determined.

Foreign currency differences arising on retranslation are recognised in the income statement, except for differences arising on the retranslation of equity instruments where they are measured at fair value through other comprehensive income or a financial instrument designated as a cash flow hedge, which are recognised in other comprehensive income.

In the consolidated financial statements, when settlement of a monetary item receivable from or payable to a foreign operation is neither planned nor likely to occur in the foreseeable future, foreign exchange gains and losses arising from such a monetary item are considered to form part of a net investment in a foreign operation and are recognised in other comprehensive income, and are presented in the foreign currency translation reserve ("FCTR") in equity.

Notes to the Financial Statements

2. Significant Accounting Policies (continued)

(c) Financial Instruments

(i) Recognition and Initial Measurement

A financial asset or a financial liability is recognised in the balance sheet when, and only when, the Group or the Company becomes a party to the contractual provisions of the instrument.

A financial asset (unless it is a trade receivable without significant financing component) or a financial liability is initially measured at fair value plus or minus, for an item not at fair value through profit or loss, transaction costs that are directly attributable to its acquisition or issuance. A trade receivable without a financing component is initially measured at the transaction price.

An embedded derivative is recognised separately from the host contract and accounted for as a derivative if, and only if, it is not closely related to the economic characteristics and risks of the host contract and the host contract is not measured at fair value through profit or loss. The host contract, in the event an embedded derivative is recognised separately, is accounted for in accordance with policy applicable to the nature of the host contract.

(ii) Financial Instrument Categories and Subsequent Measurement

Financial Assets

Categories of financial assets are determined on initial recognition and are not reclassified subsequent to their initial recognition unless the Group or the Company changes its business model for managing financial assets in which case all affected financial assets are reclassified on the first day of the first reporting period following the change of the business model.

(a) Amortised Cost

Amortised cost category comprises financial assets that are held within a business model whose objective is to hold assets to collect contractual cash flows and its contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding. The financial assets are not designated as fair value through profit or loss. Subsequent to initial recognition, these financial assets are measured at amortised cost using the effective interest method. The amortised cost is reduced by impairment losses. Interest income, foreign exchange gains and losses and impairment are recognised in income statement. Any gain or loss on derecognition is recognised in income statement.

Interest income is recognised by applying effective interest rate to the gross carrying amount except for credit-impaired financial assets (see Note 2(k)(i)) where the effective interest rate is applied to the amortised cost.

(b) Fair Value through Other Comprehensive Income

(i) Debt Investments

Fair value through other comprehensive income category comprises debt investment where it is held within a business model whose objective is achieved by both collecting contractual cash flows and selling the debt investment, and its contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding. The debt investment is not designated as fair value through profit or loss. Interest income calculated using the effective interest method, foreign exchange gains and losses and impairment are recognised in income statement. Other net gains and losses are recognised in other comprehensive income. On derecognition, gains and losses accumulated in other comprehensive income are reclassified to income statement.

Notes to the Financial Statements

2. Significant Accounting Policies (continued)**(c) Financial Instruments (continued)****(ii) Financial Instrument Categories and Subsequent Measurement (continued)*****Financial Assets (continued)*****(b) Fair Value through Other Comprehensive Income (continued)****(i) Debt Investments (continued)**

Interest income is recognised by applying effective interest rate to the gross carrying amount except for credit-impaired financial assets (see Note 2(k)(i)) where the effective interest rate is applied to the amortised cost.

(ii) Equity Investments

This category comprises investment in equity that is not held for trading, and the Group and the Company irrevocably elect to present subsequent changes in the investment's fair value in other comprehensive income. This election is made on an investment-by-investment basis. Dividends are recognised as income in income statement unless the dividend clearly represents a recovery of part of the cost of investment. Other net gains and losses accumulated in other comprehensive income are not reclassified to income statement. On derecognition, gains and losses accumulated in other comprehensive income are not reclassified to income statement.

(c) Fair Value through Profit or Loss

All financial assets not measured at amortised cost or fair value through other comprehensive income as described above are measured at fair value through profit or loss. This includes derivative financial assets (except for a derivative that is a designated and effective hedging instrument). On initial recognition, the Group or the Company may irrevocably designate a financial asset that otherwise meets the requirements to be measured at amortised cost or at fair value through other comprehensive income as at fair value through profit or loss if doing so eliminates or significantly reduces an accounting mismatch that would otherwise arise.

Financial assets categorised as fair value through profit or loss are subsequently measured at their fair value. Net gains or losses, including any interest or dividend income, are recognised in the income statement.

All financial assets, except for those measured at fair value through profit or loss and equity investments measured at fair value through other comprehensive income, are subject to impairment assessment (see Note 2(k)(i)).

Notes to the Financial Statements

2. Significant Accounting Policies (continued)

(c) Financial Instruments (continued)

(ii) Financial Instrument Categories and Subsequent Measurement (continued)

Financial Liabilities

The categories of financial liabilities at initial recognition are as follows:

(a) Fair Value through Profit or Loss

Fair value through profit or loss category comprises financial liabilities that are derivatives (except for a derivative that is a financial guarantee contract or a designated and effective hedging instrument), contingent consideration in a business combination and financial liabilities that are specifically designated into this category upon initial recognition.

On initial recognition, the Group or the Company may irrevocably designate a financial liability that otherwise meets the requirements to be measured at amortised cost as at fair value through profit or loss:

- (a) if doing so eliminates or significantly reduces an accounting mismatch that would otherwise arise;
- (b) a group of financial liabilities or assets and financial liabilities is managed and its performance is evaluated on a fair value basis, in accordance with a documented risk management or investment strategy, and information about the group is provided internally on that basis to the Group's key management personnel; or
- (c) if a contract contains one or more embedded derivatives and the host is not a financial asset in the scope of MFRS 9, where the embedded derivative significantly modifies the cash flows and separation is not prohibited.

Financial liabilities categorised as fair value through profit or loss are subsequently measured at their fair value with gains or losses, including any interest expense are recognised in the income statement.

For financial liabilities where it is designated as fair value through profit or loss upon initial recognition, the Group and the Company recognised the amount of change in fair value of the financial liability that is attributable to change in credit risk in the other comprehensive income and remaining amount of the change in fair value in the income statement, unless the treatment of the effect of changes in the own credit risk would create or enlarge an accounting mismatch.

(b) Amortised Cost

Other financial liabilities not categorised as fair value through profit or loss are subsequently measured at amortised cost using the effective interest method.

Interest expense and foreign exchange gains and losses are recognised in the income statement. Any gains or losses is also recognised in the income statement.

(iii) Hedge Accounting

At inception of a designated hedging relationship, the Group and the Company document the risk management objective and strategy for undertaking the hedge. The Group and the Company also document the economic relationship between the hedged item and the hedging instrument, including whether the changes in cash flows of the hedged item and hedging instrument are expected to offset each other.

Notes to the Financial Statements

2. Significant Accounting Policies (continued)**(c) Financial Instruments (continued)****(iii) Hedge Accounting (continued)*****Cash Flow Hedge***

A cash flow hedge is a hedge of the exposure to variability in cash flows that is attributable to a particular risk associated with all, or a component of, a recognised asset or liability or a highly probable forecast transaction and could affect the income statement. In a cash flow hedge, the portion of the gain or loss on the hedging instrument that is determined to be an effective hedge is recognised in other comprehensive income and accumulated in equity and the ineffective portion is recognised in the income statement. The effective portion of changes in the fair value of the derivative that is recognised in other comprehensive income is limited to the cumulative change in fair value of the hedged item, determined on a present value basis, from inception of the hedge.

Subsequently, the cumulative gain or loss recognised in other comprehensive income is reclassified from equity into the income statement in the same year during which the hedged forecast cash flows affect the income statement. If the hedge item is a non-financial asset or liability, the associated gain or loss recognised in other comprehensive income is removed from equity and included in the initial amount of the asset or liability. However, loss recognised in other comprehensive income that will not be recovered in one or more future periods is reclassified from equity into the income statement immediately.

The Group designate only the change in fair value of the spot element of forward contracts as the hedging instrument in cash flow hedging relationships. The change in fair value of the forward element of forward exchange contracts ("forward points") and/or the foreign currency basis spread are separately accounted for as cost of hedging and recognised in a cost of hedging reserve within equity.

Cash flow hedge accounting is discontinued prospectively when the hedging instrument expires or is sold, terminated or exercised, the hedge is no longer highly effective, the forecast transaction is no longer expected to occur or the hedge designation is revoked. If the hedge is for a forecast transaction, the cumulative gain or loss on the hedging instrument remains in equity until the forecast transaction occurs. When hedge accounting for cash flow hedges is discontinued, the amount that has been accumulated in the hedging reserve and the cost of hedging reserve remains in equity until, for a hedge of a transaction resulting in recognition of a non-financial item, it is included in the non-financial item's cost on its initial recognition or, for other cash flow hedges, it is reclassified to income statement in the same period or periods as the hedged expected future cash flows affect the income statement.

If the hedged future cash flows are no longer expected to occur, then the amounts that have been accumulated in the hedging reserve and the cost of hedging reserve are immediately reclassified to income statement.

(iv) Derecognition

A financial asset or part of it is derecognised when, and only when, the contractual rights to the cash flows from the financial asset expire or transferred, or control of the asset is not retained or substantially all of the risks and rewards of ownership of the financial asset are transferred to another party. On derecognition of a financial asset, the difference between the carrying amount and the sum of the consideration received (including any new asset obtained less any new liability assumed) and any cumulative gain or loss that had been recognised in equity is recognised in the income statement.

Notes to the Financial Statements

2. Significant Accounting Policies (continued)

(c) Financial Instruments (continued)

(iv) Derecognition (continued)

A financial liability or a part of it is derecognised when, and only when, the obligation specified in the contract is discharged, cancelled or expires. A financial liability is also derecognised when its terms are modified and the cash flows of the modified liability are substantially different, in which case, a new financial liability based on modified terms is recognised at fair value. On derecognition of a financial liability, the difference between the carrying amount of the financial liability extinguished or transferred to another party and the consideration paid, including any non-cash assets transferred or liabilities assumed, is recognised in the income statement.

(v) Offsetting

Financial assets and financial liabilities are offset and the net amount presented in the balance sheet when, and only when, the Group or the Company currently has a legally enforceable right to set off the amounts and it intends either to settle them on a net basis or to realise the asset and liability simultaneously.

(d) Property, Plant and Equipment

(i) Recognition and Measurement

Items of property, plant and equipment, except for freehold land, are measured at cost less accumulated depreciation and any accumulated impairment losses.

Cost includes expenditures that are directly attributable to the acquisition of the asset and any other costs directly attributable to bringing the asset to working condition for its intended use, and the costs of dismantling and removing the items and restoring the site on which they are located. The cost of self-constructed assets also includes the cost of materials and direct labour. For qualifying assets, borrowing costs are capitalised in accordance with the accounting policy on borrowing costs. Cost also may include transfers from equity of any gain or loss on qualifying cash flow hedges of foreign currency purchases of property, plant and equipment.

Purchased software that is integral to the functionality of the related equipment is capitalised as part of that equipment.

When significant parts of an item of property, plant and equipment have different useful lives, they are accounted for as separate items (major components) of property, plant and equipment.

The gain and loss on disposal of an item of property, plant and equipment is determined by comparing the proceeds from disposal with the carrying amount of property, plant and equipment and is recognised net within "other operating income" and "other operating expenses" respectively in the income statement.

(ii) Subsequent Costs

The cost of replacing a component of an item of property, plant and equipment is recognised in the carrying amount of the item if it is probable that the future economic benefits embodied within the component will flow to the Group or the Company, and its cost can be measured reliably. The carrying amount of the replaced component is derecognised to the income statement. The costs of the day-to-day servicing of property, plant and equipment are recognised in the income statement as incurred.

Notes to the Financial Statements

2. Significant Accounting Policies (continued)**(d) Property, Plant and Equipment (continued)****(iii) Depreciation**

Depreciation is based on the cost of an asset less its residual value. Significant components of individual assets are assessed, and if a component has a useful life that is different from the remainder of that asset, then that component is depreciated separately.

Depreciation is recognised in the income statement on a straight-line basis over the estimated useful lives of each component of an item of property, plant and equipment from the date that they are available for use. Freehold land is not depreciated. Property, plant and equipment under construction are not depreciated until the assets are ready for their intended use.

The estimated useful lives for the current and comparative years are as follows:

Buildings	35 to 40 years
Machinery and equipment	10 to 14 years
Furniture and fittings (including computer equipment and peripherals)	Various periods not exceeding 10 years
Motor vehicles	5 years

Depreciation methods, useful lives and residual values are reviewed at the end of the reporting period, and adjusted as appropriate.

(e) Leases**(i) Definition of a Lease Contract**

A contract is, or contains, a lease if the contract conveys a right to control the use of an identified asset for a period of time in exchange for consideration. To assess whether a contract conveys the right to control the use of an identified asset, the Group assesses whether:

- the contract involves the use of an identified asset – this may be specified explicitly or implicitly, and should be physically distinct or represent substantially all of the capacity of a physically distinct asset. If the supplier has a substantive substitution right, then the asset is not identified;
- the customer has the right to obtain substantially all of the economic benefits from use of the asset throughout the period of use; and
- the customer has the right to direct the use of the asset. The customer has this right when it has the decision-making rights that are most relevant to changing how and for what purpose the asset is used. In rare cases where the decision about how and for what purpose the asset is used is predetermined, the customer has the right to direct the use of the asset if either the customer has the right to operate the asset; or the customer designed the asset in a way that predetermines how and for what purpose it will be used.

At inception or on reassessment of a contract that contains a lease component, the Group allocates the consideration in the contract to each lease and non-lease component on the basis of their relative stand-alone prices. However, for leases of properties in which the Group is a lessee, it has elected not to separate non-lease components and will instead account for the lease and non-lease components as a single lease component.

Notes to the Financial Statements

2. Significant Accounting Policies (continued)

(e) Leases (continued)

(ii) Recognition and Initial Measurement

(a) As a Lessee

The Group recognises a right-of-use asset and a lease liability at the lease commencement date. The right-of-use asset is initially measured at cost, which comprises the initial amount of the lease liability adjusted for any lease payments made at or before the commencement date, plus any initial direct costs incurred and an estimate of costs to dismantle and remove the underlying asset or to restore the underlying asset or the site on which it is located, less any lease incentives received.

The lease liability is initially measured at the present value of the lease payments that are not paid at the commencement date, discounted using the interest rate implicit in the lease or, if that rate cannot be readily determined, the respective Group entities' incremental borrowing rate. Generally, the Group entities use their incremental borrowing rate as the discount rate.

Lease payments included in the measurement of the lease liability comprise the following:

- fixed payments, including in-substance fixed payments less any incentives receivable;
- variable lease payments that depend on an index or a rate, initially measured using the index or rate as at the commencement date;
- amounts expected to be payable under a residual value guarantee;
- the exercise price under a purchase option that the Group is reasonably certain to exercise; and
- penalties for early termination of a lease unless the Group is reasonably certain not to terminate early.

The Group excludes variable lease payments that linked to future performance or usage of the underlying asset from the lease liability. Instead, these payments are recognised in income statement in the period in which the performance or use occurs.

The Group has elected not to recognise right-of-use assets and lease liabilities for short-term leases that have a lease term of 12 months or less and leases of low-value assets. The Group recognises the lease payments associated with these leases as an expense on a straight-line basis over the lease term.

(b) As a Lessor

When the Group acts as a lessor, it determines at lease inception whether each lease is a finance lease or an operating lease.

To classify each lease, the Group makes an overall assessment of whether the lease transfers substantially all of the risks and rewards incidental to ownership of the underlying asset. If this is the case, then the lease is a finance lease; if not, then it is an operating lease.

If an arrangement contains lease and non-lease components, the Group applies MFRS 15 to allocate the consideration in the contract based on the stand-alone selling prices.

The Group recognises assets held under a finance lease in its balance sheet and presents them as a receivable at an amount equal to the net investment in the lease. The Group uses the interest rate implicit in the lease to measure the net investment in the lease.

Notes to the Financial Statements

2. Significant Accounting Policies (continued)**(e) Leases (continued)****(ii) Recognition and Initial Measurement (continued)****(b) As a Lessor (continued)**

When the Group is an intermediate lessor, it accounts for its interests in the head lease and the sublease separately. It assesses the lease classification of a sublease with reference to the right-of-use asset arising from the head lease, not with reference to the underlying asset. If a head lease is a short-term lease to which the Group applies the exemption described above, then it classifies the sublease as an operating lease.

(iii) Subsequent Measurement**(a) As a Lessee**

The right-of-use asset is subsequently depreciated using the straight-line method from the commencement date to the earlier of the end of the useful life of the right-of-use asset or the end of the lease term. The estimated useful lives of right-of-use assets are determined on the same basis as those of property, plant and equipment. In addition, the right-of-use asset is periodically reduced by impairment losses, if any, and adjusted for certain remeasurements of the lease liability.

The lease liability is measured at amortised cost using the effective interest method. It is remeasured when there is a change in future lease payments arising from a change in an index or rate, if there is a revision of in-substance fixed lease payments, or if there is a change in the Group's estimate of the amount expected to be payable under a residual value guarantee, or if the Group changes its assessment of whether it will exercise a purchase, extension or termination option.

When the lease liability is remeasured, a corresponding adjustment is made to the carrying amount of the right-of-use asset, or is recorded in income statement if the carrying amount of the right-of-use asset has been reduced to zero.

(b) As a Lessor

The Group recognises lease payments received under operating leases as income on a straight-line basis over the lease term as part of other operating income.

The Group recognises finance income over the lease term, based on a pattern reflecting a constant periodic rate of return on the Group's net investment in the lease. The Group aims to allocate finance income over the lease term on a systematic and rational basis. The Group applies the lease payments relating to the period against the gross investment in the lease to reduce both the principal and the unearned finance income. The net investment in the lease is subject to impairment requirements in MFRS 9, *Financial Instruments* (see Note 2(k)(i)).

(f) Intangible Assets**(i) Goodwill**

Goodwill arising on business combinations is measured at cost less any accumulated impairment losses.

(ii) Other Intangible Assets

Intangible assets, other than goodwill, that are acquired by the Group and the Company, which have finite useful lives, are measured at cost less any accumulated amortisation and any accumulated impairment losses.

Notes to the Financial Statements

2. Significant Accounting Policies (continued)

(f) Intangible Assets (continued)

(iii) Subsequent Expenditure

Subsequent expenditure is capitalised only when it increases the future economic benefits embodied in the specific asset to which it relates. All other expenditure, including expenditure on internally generated goodwill and brands, is recognised in the income statement as incurred.

(iv) Amortisation

Goodwill and intangible assets with indefinite useful lives are not amortised but is tested for impairment annually and whenever there is an indication that it may be impaired.

Other intangible assets are amortised from the date that they are available for use. Amortisation is based on the cost of an asset less its residual value. Amortisation is recognised in the income statement on a straight-line basis over the estimated useful lives of intangible assets.

The estimated useful lives for the current and comparative years are as follows:

Computer software	3 years
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Amortisation methods, useful lives and residual values are reviewed at the end of each reporting period and adjusted, if appropriate. The amortisation of computer software is recognised in administrative expenses.

(g) Inventories

Inventories are measured at the lower of cost and net realisable value.

The cost of inventories is calculated using the weighted average method, and includes expenditure incurred in acquiring the inventories, production or conversion costs and other costs incurred in bringing them to their existing location and condition. In the case of work-in-progress and finished goods, cost includes an appropriate share of production overheads based on normal operating capacity.

Net realisable value is the estimated selling price in the ordinary course of business, less the estimated costs of completion and the estimated costs necessary to make the sale.

(h) Contract Asset/Contract Liability

A contract asset is recognised when the Group's or the Company's right to consideration is conditional on something other than the passage of time. A contract asset is subject to impairment in accordance to MFRS 9, *Financial Instruments* (see Note 2(k)(i)).

A contract liability is stated at cost and represents the obligation of the Group or the Company to transfer goods or services to a customer for which consideration has been received (or the amount is due) from the customers.

Notes to the Financial Statements

2. Significant Accounting Policies (continued)**(i) Contract Cost****(i) Incremental Cost of Obtaining a Contract**

The Group or the Company recognises incremental costs of obtaining contracts when the Group or the Company expects to recover these costs.

(ii) Cost to Fulfill a Contract

The Group or the Company recognises a contract cost that relate directly to a contract or to an anticipated contract as an asset when the cost generates or enhances resources of the Group or of the Company, will be used in satisfying performance obligations in the future and it is expected to be recovered.

These contract costs are initially measured at cost and amortised on a systematic basis that is consistent with the pattern of revenue recognition to which the asset relates. An impairment loss is recognised in the income statement when the carrying amount of the contract cost exceeds the expected revenue less expected cost that will be incurred. Where the impairment condition no longer exists or has improved, the impairment loss is reversed to the extent that the carrying amount of the contract cost does not exceed the amount that would have been recognised had there been no impairment loss recognised previously.

(j) Cash and Cash Equivalents

Cash and cash equivalents consist of cash on hand, balances and deposits with banks, bank overdraft and highly liquid investments which have an insignificant risk of changes in fair value with original maturities of three months or less, and are used by the Group and the Company in the management of their short-term commitments. For the purpose of the statements of cash flows, cash and cash equivalents are presented net of bank overdrafts.

(k) Impairment**(i) Financial Assets**

The Group and the Company recognise loss allowances for expected credit losses on financial assets measured at amortised cost or fair value through other comprehensive income. Expected credit losses are a probability-weighted estimate of credit losses.

The Group and the Company measure loss allowances at an amount equal to lifetime expected credit loss, except for debt securities that are determined to have low credit risk at the reporting date, cash and bank balances and other debt securities for which credit risk has not increased significantly since initial recognition, which are measured at 12-month expected credit loss. Loss allowances for trade receivable are always measured at an amount equal to lifetime expected credit loss.

When determining whether the credit risk of a financial asset has increased significantly since initial recognition and when estimating expected credit loss, the Group and the Company consider reasonable and supportable information that is relevant and available without undue cost or effort. This includes both quantitative and qualitative information and analysis, based on the Group's historical experience and informed credit assessment and including forward-looking information, where available.

Lifetime expected credit losses are the expected credit losses that result from all possible default events over the expected life of the asset, while 12-month expected credit losses are the portion of expected credit losses that result from default events that are possible within the 12 months after the reporting date. The maximum period considered when estimating expected credit losses is the maximum contractual period over which the Group and the Company are exposed to credit risk.

Notes to the Financial Statements

2. Significant Accounting Policies (continued)

(k) Impairment (continued)

(i) Financial Assets (continued)

The Group and the Company estimate the expected credit losses on trade receivables using a provision matrix with reference to historical credit loss experience.

An impairment loss in respect of financial assets measured at amortised cost is recognised in the income statement and the carrying amount of the asset is reduced through the use of an allowance account.

An impairment loss in respect of debt investments measured at fair value through other comprehensive income is recognised in the income statement and the allowance account is recognised in other comprehensive income.

At each reporting date, the Group and the Company assess whether financial assets carried at amortised cost and debt securities at fair value through other comprehensive income are credit-impaired. A financial asset is credit-impaired when one or more events that have a detrimental impact on the estimated future cash flows of the financial asset have occurred.

The gross carrying amount of a financial asset is written off (either partially or fully) to the extent that there is no realistic prospect of recovery. This is generally the case when the Group or the Company determines that the debtor does not have assets or sources of income that could generate sufficient cash flows to repay the amounts subject to the write-off. However, financial assets that are written off could still be subject to enforcement activities in order to comply with the Group's and the Company's procedures for recovery amounts due.

(ii) Other Assets

The carrying amounts of other assets (except for inventories, contract assets, lease receivables, non-current assets or disposal group classified as held for sale and deferred tax assets) are reviewed at the end of each reporting period to determine whether there is any indication of impairment. If any such indication exists, then the asset's recoverable amount is estimated. For goodwill and intangible assets with indefinite useful lives or that are not yet available for use, the recoverable amount is estimated each period at the same time.

For the purpose of impairment testing, assets are grouped together into the smallest group of assets that generates cash inflows from continuing use that are largely independent of the cash inflows of other assets or cash-generating units. Subject to an operating segment ceiling test, for the purpose of goodwill impairment testing, cash-generating units to which goodwill has been allocated are aggregated so that the level at which impairment testing is performed reflects the lowest level at which goodwill is monitored for internal reporting purposes. The goodwill acquired in a business combination, for the purpose of impairment testing, is allocated to a cash-generating unit or group of cash-generating units that are expected to benefit from the synergies of the combination.

The recoverable amount of an asset or cash-generating unit is the greater of its value-in-use and its fair value less costs of disposal. In assessing value-in-use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset or cash-generating unit.

An impairment loss is recognised if the carrying amount of an asset or its related cash-generating unit exceeds its estimated recoverable amount.

Impairment losses are recognised in the income statement. Impairment losses recognised in respect of cash-generating units are allocated first to reduce the carrying amount of any goodwill allocated to the cash-generating unit (group of cash-generating units) and then to reduce the carrying amounts of the other assets in the cash-generating unit (group of cash-generating units) on a *pro rata* basis.

Notes to the Financial Statements

2. Significant Accounting Policies (continued)**(k) Impairment (continued)****(ii) Other Assets (continued)**

An impairment loss in respect of goodwill is not reversed. In respect of other assets, impairment losses recognised in prior years are assessed at the end of each reporting period for any indications that the loss has decreased or no longer exists. An impairment loss is reversed if there has been a change in the estimates used to determine the recoverable amount since the last impairment loss was recognised. An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortisation, if no impairment loss had been recognised. Reversals of impairment losses are credited to the income statement in the financial year in which the reversals are recognised.

(l) Equity Instruments

Instruments classified as equity are measured at cost on initial recognition and are not remeasured subsequently.

(i) Issue Expenses

Costs directly attributable to the issue of instruments classified as equity are recognised as a deduction from equity.

(ii) Ordinary Shares

Ordinary shares are classified as equity.

(m) Employee Benefits**(i) Short-term Employee Benefits**

Short-term employee benefit obligations in respect of salaries, annual bonuses, paid annual leave and sick leave are measured on an undiscounted basis and are expensed as the related service is provided.

A liability is recognised for the amount expected to be paid under short-term cash bonus or profit-sharing plans if the Group has a present legal or constructive obligation to pay this amount as a result of past service provided by the employee and the obligation can be estimated reliably.

(ii) State Plans

The Group's contributions to statutory pension funds are charged to the income statement in the financial year to which they relate. Prepaid contributions are recognised as an asset to the extent that a cash refund or a reduction in future payments are available.

(iii) Share-based Payment Transactions

A number of employees of the Group participate in equity-settled share-based compensation plans offered by British American Tobacco p.l.c. (British American Tobacco p.l.c. indirectly through British American Tobacco Holdings (Malaysia) B.V., owns 50 percent equity interest in the Company and is the Company's ultimate holding company).

Equity-settled share-based payments are measured at fair value at the date of grant and are expensed off over the vesting period, based on British American Tobacco p.l.c.'s estimate of awards that will eventually vest. Fair value is measured by the use of the Black-Scholes and Monte-Carlo pricing models. The expected life used in the models has been adjusted, based on management's best estimate, for the effects of non-transferability, exercise restrictions and behavioural considerations, forfeiture and historical experience.

Notes to the Financial Statements

2. Significant Accounting Policies (continued)

(m) Employee Benefits (continued)

(iii) Share-based Payment Transactions (continued)

The grant by British American Tobacco p.l.c. of options over its equity instruments to the employees of the Group is treated as a capital contribution. The fair value of employee services received, measured by reference to the grant date fair value, is recognised over the vesting period as an expense in the income statement, with a corresponding credit to equity.

(iv) Termination Benefits

Termination benefits are expensed at the earlier of when the Group can no longer withdraw the offer of those benefits and when the Group recognises costs for a restructuring. If benefits are not expected to be settled wholly within 12 months of the end of the reporting period, then they are discounted.

(n) Provisions

A provision is recognised if, as a result of a past event, the Group has a present legal or constructive obligation that can be estimated reliably, and it is probable that an outflow of economic benefits will be required to settle the obligation. Provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the liability. The unwinding of the discount is recognised as finance cost.

(i) Warranties

A provision for warranties is recognised when the underlying products or services are sold. The provision is based on historical warranty data and a weighting of all possible outcomes against their associated probabilities.

(ii) Restructuring

A provision for restructuring is recognised when the Group has approved a detailed formal restructuring plan, and the restructuring has either commenced or has been announced publicly. Future operating costs are not provided for.

(o) Revenue and Other Income

(i) Revenue from Contracts with Customers

Revenue is measured based on the consideration specified in a contract with a customer in exchange for transferring goods or services to a customer, excluding amounts collected on behalf of third parties. The Group or the Company recognises revenue when (or as) it transfers control over a product or service to the customer. An asset is transferred when (or as) the customer obtains control of the asset.

The Group or the Company transfers control of a good or service at a point in time unless one of the following overtime criteria is met:

- (a) the customer simultaneously receives and consumes the benefits provided as the Group or the Company performs;
- (b) the Group's or the Company's performance creates or enhances an asset that the customer controls as the asset is created or enhanced; or
- (c) the Group's or the Company's performance does not create an asset with an alternative use and the Group or the Company has an enforceable right to payment for performance completed to date.

Notes to the Financial Statements

2. Significant Accounting Policies (continued)**(o) Revenue and Other Income (continued)****(ii) Dividend Income**

Dividend income is recognised in the income statement on the date that the Group's or the Company's right to receive payment is established.

(iii) Interest Income

Interest income is recognised as it accrues using the effective interest method in the income statement except for interest income arising from temporary investment of borrowings taken specifically for the purpose of obtaining a qualifying asset which is accounted for in accordance with the accounting policy on borrowing costs.

(iv) Management Fee

Management fee is recognised when services are rendered.

(v) Fee for usage of Property, Plant and Equipment

Fee for usage of property, plant and equipment is recognised when services are rendered.

(p) Borrowing Costs

Borrowing costs that are not directly attributable to the acquisition, construction or production of a qualifying asset are recognised in the income statement using the effective interest method.

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, which are assets that necessarily take a substantial period of time to get ready for their intended use or sale, are capitalised as part of the cost of those assets.

The capitalisation of borrowing costs as part of the cost of a qualifying asset commences when expenditure for the asset is being incurred, borrowing costs are being incurred and activities that are necessary to prepare the asset for its intended use or sale are in progress. Capitalisation of borrowing costs is suspended or ceases when substantially all the activities necessary to prepare the qualifying asset for its intended use or sale are interrupted or completed.

Investment income earned on the temporary investment of specific borrowings pending their expenditure on qualifying assets is deducted from the borrowing costs eligible for capitalisation.

(q) Income Tax

Income tax expense comprises current and deferred tax. Current tax and deferred tax are recognised in the income statement except to the extent that they relate to a business combination or items recognised directly in equity or other comprehensive income.

Current tax is the expected tax payable or receivable on the taxable income or loss for the year, using tax rates enacted or substantively enacted by the end of the reporting period, and any adjustment to tax payable in respect of previous financial years.

Notes to the Financial Statements

2. Significant Accounting Policies (continued)

(q) Income Tax (continued)

Deferred tax is recognised using the liability method, providing for temporary differences between the carrying amounts of assets and liabilities in the balance sheet and their tax bases. Deferred tax is not recognised for the following temporary differences: the initial recognition of goodwill, the initial recognition of assets or liabilities in a transaction that is not a business combination and that affects neither accounting nor taxable profit or loss. Deferred tax is measured at the tax rates that are expected to be applied to the temporary differences when they reverse, based on the laws that have been enacted or substantively enacted by the end of the reporting period.

Deferred tax assets and liabilities are offset if there is a legally enforceable right to offset current tax assets and liabilities, and they relate to income taxes levied by the same tax authority on the same taxable entity, or on different tax entities, but they intend to settle current tax assets and liabilities on a net basis or their tax assets and liabilities will be realised simultaneously.

A deferred tax asset is recognised to the extent that it is probable that future taxable profits will be available against which the temporary difference can be utilised. Deferred tax assets are reviewed at the end of each reporting period and are reduced to the extent that it is no longer probable that the related tax benefit will be realised.

Unutilised reinvestment allowance and investment tax allowance, being tax incentives that is not a tax base of an asset, is recognised as a deferred tax asset to the extent that it is probable that the future taxable profits will be available against which the unutilised tax incentive can be utilised.

(r) Earnings per Ordinary Share

The Group presents basic earnings per share data for its ordinary shares ("EPS").

Basic EPS is calculated by dividing the income statement attributable to ordinary shareholders of the Company by the weighted average number of ordinary shares outstanding during the period, adjusted for own shares held.

(s) Operating Segment

An operating segment is a component of the Group that engages in business activities from which it may earn revenues and incur expenses, including revenues and expenses that relate to transactions with any of the Group's other components. Operating segments results are reviewed regularly by the chief operating decision maker, which in this case Board of Directors of the Group, to make decisions about resources to be allocated to the segment and to assess its performance, and for which discrete financial information is available.

The Group operates on a single product business primarily engaged in the manufacture, importation and sale of cigarettes and other tobacco products and this forms the focus of the Group's internal reporting systems. While the Group has clearly differentiated brands, segmentation within a wide portfolio of brands is not part of the regular internally reported financial information to the chief operating decision maker and it is not possible to segment the Group results by brand without a high degree of estimation.

(t) Contingent Liabilities

Where it is not probable that an outflow of economic benefits will be required, or the amount cannot be estimated reliably, the obligation is not recognised in the balance sheet and is disclosed as a contingent liability, unless the probability of outflow of economic benefits is remote. Possible obligations, whose existence will only be confirmed by the occurrence or non-occurrence of one or more future events, are also disclosed as contingent liabilities unless the probability of outflow of economic benefits is remote.

Notes to the Financial Statements

2. Significant Accounting Policies (continued)**(u) Fair Value Measurement**

Fair value of an asset or a liability, except for share-based payment and lease transactions, is determined as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The measurement assumes that the transaction to sell the asset or transfer the liability takes place either in the principal market or in the absence of a principal market, in the most advantageous market.

For non-financial asset, the fair value measurement takes into account a market participant's ability to generate economic benefits by using the asset in its highest and best use or by selling it to another market participant that would use the asset in its highest and best use.

When measuring the fair value of an asset or a liability, the Group uses observable market data as far as possible. Fair value are categorised into different levels in a fair value hierarchy based on the input used in the valuation technique as follows:

- Level 1: quoted prices (unadjusted) in active markets for identical assets or liabilities that the Group can access at the measurement date.
- Level 2: inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly.
- Level 3: unobservable inputs for the asset or liability.

The Group recognises transfers between levels of the fair value hierarchy as of the date of the event or change in circumstances that caused the transfers.

(v) Dividends

Interim dividends are recognised as a liability in the period in which they are declared. Final dividends are recognised in the period approval of members is obtained.

(w) Non-current Asset Held for Sale or Distribution to Shareholders

Non-current assets, or disposal group comprising assets and liabilities that are expected to be recovered primarily through sale or distribution to shareholders rather than through continuing use, are classified as held for sale or distribution.

Immediately before classification as held for sale or distribution, the assets, or components of a disposal group, are remeasured in accordance with the Group's accounting policies. Thereafter generally the assets, or disposal group, are measured at the lower of their carrying amount and fair value less costs of disposal.

Any impairment loss on a disposal group is first allocated to goodwill, and then to remaining assets and liabilities on *pro rata* basis, except that no loss is allocated to inventories, financial assets, deferred tax assets, employee benefit assets and investment property, which continue to be measured in accordance with the Group's accounting policies. Impairment losses on initial classification as held for sale or distribution and subsequent gains or losses on remeasurement are recognised in income statement. Gains are not recognised in excess of any cumulative impairment loss.

Intangible assets and property, plant and equipment once classified as held for sale or distribution are not amortised or depreciated. In addition, equity accounting of equity-accounted associates and joint venture ceases once classified as held for sale or distribution.

Notes to the Financial Statements

3. Revenue

	Group		Company	
	2021 RM'000	2020 RM'000	2021 RM'000	2020 RM'000
Revenue from contracts with customers:				
Sale of cigarettes, pipe tobaccos, cigars and other tobacco products	2,637,255	2,315,481	-	-
Other revenue:				
Dividend income from unquoted subsidiaries	-	-	269,757	294,146
Management fee from subsidiaries	-	-	4,795	4,305
Fee for usage of property, plant and equipment from subsidiaries	-	-	2,368	2,547
	2,637,255	2,315,481	276,920	300,998

The Group is primarily engaged in the sales, marketing and importation of cigarettes, pipe tobaccos, cigars, devices, other tobacco products and nicotine products. Revenue of the Group is recognised at a point in time when it transfers control of tobacco products to the customers. Payment terms given to customers range from 1 to 60 days from invoice date. Variable elements in consideration are those trade discounts, volume rebates, and trade incentives. The Group allows return only for exchange with new goods (i.e. no cash refunds are offered).

Notes to the Financial Statements

4. Profit Before Tax

	Note	Group		Company	
		2021 RM'000	2020 RM'000	2021 RM'000	2020 RM'000
Profit before tax is arrived at after charging:					
Auditors' remuneration:					
- statutory audit		606	538	387	382
- non-audit fees		246	246	246	246
Raw materials and consumables used		183,330	171,356	-	-
Excise duties		1,493,454	1,298,818	-	-
Staff costs	6	92,492	75,324	23,588	16,489
Property, plant and equipment:					
- depreciation	10	6,972	7,519	2,591	2,607
- depreciation of right-of-use assets	10	5,977	6,269	3,628	3,724
- loss on disposal		-	351	-	181
- write-off		1	5	1	-
Computer software:					
- amortisation	11	-	3	-	3
- write-off		-	1,426	-	-
Net loss on impairment of financial assets at amortised cost		390	99	-	-
Expenses relating to:					
- short-term lease	a	652	861	-	198
Inventories written-down		11,638	11,341	-	-
Finance costs:					
- lease liabilities		673	892	566	793
- borrowings		16,405	16,280	3,853	6,348
Net foreign exchange loss		1,839	930	146	368
Restructuring expenses	30	9,282	18,825	1,828	4,740

and after crediting:

Gain on derecognition of lease contract		-	166	-	166
Gain on disposal of property, plant and equipment		40	-	-	-
Gain on disposal of assets held for sale		-	386	-	386
Interest income on deposits		598	863	490	489

Note a

The Group and the Company leases buildings with contract terms of less than 1 year. These leases are short-term leases and the Group and the Company have elected not to recognise right-of-use assets and lease liabilities for these leases.

Notes to the Financial Statements

5. Directors' Remuneration

	Group		Company	
	2021 RM'000	2020 RM'000	2021 RM'000	2020 RM'000
Fees	947	574	947	574
Other emoluments	6,306	8,604	6,306	8,604
	7,253	9,178	7,253	9,178

The estimated monetary value of benefits in kind provided to Directors of the Group and of the Company during the financial year amounted to RM1,368,000 (2020: RM1,325,000) and RM1,368,000 (2020: RM1,325,000) respectively.

Included within other emoluments are share-based payments amounting to RM206,000 (2020: RM6,000) which were made to certain Directors of the Group and of the Company (during their employment with the Group and the Company) by way of their participation in employee share schemes offered by British American Tobacco p.l.c. as disclosed in Note 24, and consultancy fees paid to a Director amounting to RM381,000 (2020: RM400,000).

Details of the movements of certain Directors' equity-settled share-based payments arrangements during the financial year ended 2021, covering the Deferred Share Bonus Scheme and International Share Reward Scheme are as follows, representing costs incurred by the Group and the Company during the tenure of the Directors' service with the Group and the Company.

	Number of ordinary shares in British American Tobacco p.l.c.		
	At 1.1.2021	Other movements*	At 31.12.2021
Executive Directors			
Deferred Share Bonus Scheme	10,402	(2,329)	8,073
International Share Reward Scheme	614	(285)	329
	11,016	(2,614)	8,402

Details of the movements of the Directors' participation in the equity-settled Long-Term Incentive Plan are as follows, representing costs incurred by the Group and the Company during the tenure of the Directors' service with the Group and the Company.

Grant price	Number of options in ordinary shares in British American Tobacco p.l.c.		
	At 1.1.2021	Other movements*	At 31.12.2021
£38.94	4,333	(4,333)	-
£30.83	5,627	(2,831)	2,796
£26.33	10,549	(8,563)	1,986
£27.94	-	1,942	1,942
	20,509	(13,785)	6,724

* Other movements relate to ordinary shares and options that would have lapsed or movement of Directors during the financial year.

Notes to the Financial Statements

6. Staff Costs

	Group		Company	
	2021 RM'000	2020 RM'000	2021 RM'000	2020 RM'000
Wages, salaries and bonuses	70,337	57,497	19,064	11,925
Defined contribution plan	6,583	6,928	788	1,142
Other staff related expenses	15,572	10,899	3,736	3,422
	92,492	75,324	23,588	16,489

Included in staff costs is an amount for other emoluments as part of Directors' remuneration disclosed in Note 5 to the financial statements.

Staff costs recharged by the Company to the subsidiaries amounted to RM21,549,000 for the year ended 31 December 2021 (2020: RM20,158,000).

7. Tax Expense

	Group		Company	
	2021 RM'000	2020 RM'000	2021 RM'000	2020 RM'000
Current tax expense				
- current year	97,395	80,661	122	139
- under provision in prior years	4,155	1,709	-	3
	101,550	82,370	122	142
Deferred tax expense/(credit)				
- reversal and origination of temporary differences	7,440	5,842	619	1,489
- under/(over) provision in prior years	266	(766)	1,508	75
	7,706	5,076	2,127	1,564
	109,256	87,446	2,249	1,706

	Group		Company	
	2021 %	2020 %	2021 %	2020 %
Reconciliation of tax expense				
Statutory tax rate	24	24	24	24
Expenses not deductible for tax purposes	3	3	1	2
Under provision in prior years	1	-	1	
Income not subject to tax	-	-	(25)	(25)
Average effective tax rate	28	27	1	1

Notes to the Financial Statements

8. Earnings Per Share

The calculation of basic earnings per share was based on the profit attributable to ordinary shareholders and number of ordinary shares outstanding, calculated as follows:

	Group	
	2021	2020
Profit for the year (RM'000)	284,861	241,839
Number of ordinary shares at 31 December ('000)	285,530	285,530
Basic earnings per ordinary share (sen)	99.8	84.7

The Group does not have in issue any financial instrument or other contract that may entitle its holders to ordinary shares and therefore, diluted earnings per share is not disclosed.

9. Dividends

Dividends paid or declared in respect of the financial year are as follows:

	Sen per share	Total amount RM'000
2021		
Fourth interim dividend 2020	27.0	77,093
First interim dividend 2021	21.0	59,961
Second interim dividend 2021	24.0	68,527
Third interim dividend 2021	26.0	74,238
Total amount	98.0	279,819
2020		
Fourth interim dividend 2019	33.0	94,225
First interim dividend 2020	17.0	48,540
Second interim dividend 2020	18.0	51,395
Third interim dividend 2020	21.0	59,961
Total amount	89.0	254,121

The first, second and third interim dividends are paid and accounted for in shareholders' equity as an appropriation of retained earnings in the financial year they are declared.

The Directors declared a fourth interim ordinary dividend of 27.0 sen per ordinary share at the Board of Directors' meeting on 8 February 2022 amounting to RM77,093,100 in respect of the financial year ended 31 December 2021 which will be paid on 4 March 2022 to shareholders registered in the Company's Register of Members at the close of business on 23 February 2022. These financial statements do not reflect the fourth interim ordinary dividend which will be accounted for in the financial year ending 31 December 2022.

The Board of Directors do not recommend the payment of a final dividend in respect of the financial year ended 31 December 2021.

Notes to the Financial Statements

10. Property, Plant and Equipment

Group	Buildings (right-of-use assets)*	Machinery and equipment	Furniture and fittings	Furniture and fittings (right-of-use assets)*	Motor vehicles	Capital work-in- progress	Total
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
Cost							
At 1 January 2020	31,973	5,823	24,025	-	32,450	18	94,289
Additions	5,284	-	3,009	-	403	12	8,708
Disposals	-	-	-	-	(4,653)	-	(4,653)
Write-off	-	-	(674)	-	-	-	(674)
Derecognition	(1,697)	-	-	-	-	-	(1,697)
Remeasurement of right-of-use assets	(164)	-	-	-	-	-	(164)
At 31 December 2020/1 January 2021	35,396	5,823	26,360	-	28,200	30	95,809
Additions	-	-	1,041	342	-	1,323	2,706
Disposals	-	-	-	-	(1,982)	-	(1,982)
Write-off	-	-	(216)	-	-	-	(216)
Reclassification	-	-	30	-	-	(30)	-
At 31 December 2021	35,396	5,823	27,215	342	26,218	1,323	96,317

Notes to the Financial Statements

10. Property, Plant and Equipment (continued)

Group	Buildings (right-of-use assets)* RM'000	Machinery and equipment RM'000	Furniture and fittings RM'000	Furniture and fittings (right-of-use assets)* RM'000	Motor vehicles RM'000	Capital work-in- progress RM'000	Total RM'000
Accumulated depreciation							
At 1 January 2020	6,732	532	11,092	-	10,428	-	28,784
Charge for the year	6,269	284	3,610	-	3,625	-	13,788
Disposals	-	-	-	-	(2,717)	-	(2,717)
Write-off	-	-	(669)	-	-	-	(669)
Derecognition	(917)	-	-	-	-	-	(917)
At 31 December 2020/ 1 January 2021	12,084	816	14,033	-	11,336	-	38,269
Charge for the year	5,948	284	3,424	29	3,264	-	12,949
Disposals	-	-	-	-	(1,131)	-	(1,131)
Write-off	-	-	(215)	-	-	-	(215)
At 31 December 2021	18,032	1,100	17,242	29	13,469	-	49,872
Carrying amounts							
At 1 January 2020	25,241	5,291	12,933	-	22,022	18	65,505
At 31 December 2020/ 1 January 2021	23,312	5,007	12,327	-	16,864	30	57,540
At 31 December 2021	17,364	4,723	9,973	313	12,749	1,323	46,445

Notes to the Financial Statements

10. Property, Plant and Equipment (continued)

Company	Buildings (right-of-use assets)*		Furniture and fittings (right-of-use assets)*		Motor vehicles RM'000	Capital work-in- progress RM'000	Total RM'000
	RM'000	RM'000	RM'000	RM'000			
Cost							
At 1 January 2020	26,869	16,909	-	-	2,690	-	46,468
Additions	1,012	1,406	-	-	-	30	2,448
Disposals	-	-	-	-	(927)	-	(927)
Write-off	-	(183)	-	-	-	-	(183)
Derecognition	(1,697)	-	-	-	-	-	(1,697)
Remeasurement of right-of-use assets	(164)	-	-	-	-	-	(164)
At 31 December 2020/ 1 January 2021	26,020	18,132	-	-	1,763	30	45,945
Additions	-	655	342	-	-	33	1,030
Write-off	-	(34)	-	-	-	-	(34)
Reclassification	-	30	-	-	-	(30)	-
At 31 December 2021	26,020	18,783	342	342	1,763	33	46,941

Notes to the Financial Statements

10. Property, Plant and Equipment (continued)

Company	Buildings (right-of-use assets)* RM'000	Furniture and fittings RM'000	Furniture and fittings (right-of-use assets)* RM'000	Motor vehicles RM'000	Capital work-in- progress RM'000	Total RM'000
Accumulated depreciation						
At 1 January 2020	4,165	6,335	-	554	-	11,054
Charge for the year	3,724	2,252	-	355	-	6,331
Disposals	-	-	-	(410)	-	(410)
Write-off	-	(183)	-	-	-	(183)
Derecognition	(917)	-	-	-	-	(917)
At 31 December 2020/ 1 January 2021	6,972	8,404	-	499	-	15,875
Charge for the year	3,599	2,282	29	309	-	6,219
Write-off	-	(33)	-	-	-	(33)
At 31 December 2021	10,571	10,653	29	808	-	22,061
Carrying amounts						
At 1 January 2020	22,704	10,574	-	2,136	-	35,414
At 31 December 2020/1 January 2021	19,048	9,728	-	1,264	30	30,070
At 31 December 2021	15,449	8,130	313	955	33	24,880

* The Group leases office building, warehouse, factory and computer equipment that run for 3 to 5 years, with an option to renew the lease after that date.

Notes to the Financial Statements

10. Property, Plant and Equipment (continued)**Extension options**

Some leases contain extension options exercisable by the Group up to one year before the end of the non-cancellable contract period. Where practicable, the Group seeks to include extension options in new leases to provide operational flexibility. The Group assesses at lease commencement whether it is reasonably certain to exercise the extension options. The Group reassesses whether it is reasonably certain to exercise the options if there is a significant event or significant change in circumstances within its control.

Significant judgements and assumptions in relation to leases

The Group assesses at lease commencement by applying significant judgement whether it is reasonably certain to exercise the extension options. Group entities consider all facts and circumstances including their past practice and any cost that will be incurred to change the asset if an option to extend is not taken, to help them determine the lease term.

The Group also applied judgement and assumptions in determining the incremental borrowing rate of the respective leases. Group entities first determine the closest available borrowing rates before using significant judgement to determine the adjustments required to reflect the term, security, value or economic environment of the respective leases.

11. Computer Software

	Group		Company	
	2021 RM'000	2020 RM'000	2021 RM'000	2020 RM'000
Cost				
At 1 January	87	2,000	87	87
Additions	3,271	-	-	-
Write-off	-	(1,913)	-	-
At 31 December	3,358	87	87	87
Accumulated amortisation				
At 1 January	87	571	87	84
Charge for the year	-	3	-	3
Write-off	-	(487)	-	-
At 31 December	87	87	87	87
Carrying amounts				
At 31 December	3,271	-	-	-

Notes to the Financial Statements

12. Goodwill

	Group	
	2021 RM'000	2020 RM'000
Carrying amount at 31 December	411,618	411,618

Goodwill arose from the acquisition of the business of Malaysian Tobacco Company Berhad, which represents the cash-generating unit, and represents the excess of the fair value of the purchase consideration over the Group's share of the fair values of the net assets of the subsidiary companies acquired on 2 November 1999, the date of acquisition.

The carrying amount of goodwill is reviewed for impairment annually. Impairment is determined for goodwill by assessing the recoverable amount of the cash-generating unit to which the goodwill relates. The recoverable amount has been determined based on value-in-use calculations.

The key assumptions for the recoverable amount are management's current estimates of net cash flows over a period of ten years plus a terminal value based on historical growth rate, taking into account industry developments and at the pre-tax discount rate of 11.1 percent (2020: 10.2 percent).

Based on the assessment, the recoverable amount exceeded the carrying amount of the goodwill. Accordingly, no impairment loss was recognised in 2021 (2020: Nil).

Based on sensitivity tests performed by the Group, any reasonable change in the key assumptions used will not result in any significant change to the results of impairment assessment.

13. Subsidiaries

	Company	
	2021 RM'000	2020 RM'000
Cost		
Unquoted shares in subsidiaries	725,262	725,262
Impairment losses	(1,867)	(1,867)
	723,395	723,395

The impairment loss recognised by the Company in prior years was in respect of its investment cost in Rothmans Brands Sdn. Bhd.

On 30 December 2021, Rothmans Brands Sdn. Bhd. (Incorporated in Malaysia) and Commercial Marketers and Distributors Sdn. Bhd., (Incorporated in Brunei) both wholly-owned subsidiaries of the Company had commenced members' voluntary winding-up ("Winding-Up"). The Winding-Up has no material effect on the financials and operations impact to the Group.

Notes to the Financial Statements

13. Subsidiaries (Continued)

The subsidiaries, all of which are wholly-owned, are as follows:

Name of entity	Principal place of business/ country of incorporation	Principal activities
Commercial Marketers and Distributors Sdn. Bhd.	Malaysia	Sales, marketing and importation of cigarettes, pipe tobaccos, cigars, devices, other tobacco products and nicotine products
Rothmans Brands Sdn. Bhd.	Malaysia	Dormant (The Company has been placed under members' voluntary liquidation on 30 December 2021)
Tobacco Importers and Manufacturers Sdn. Berhad	Malaysia	Manufacture and sale of cigarettes and other tobacco related products
Commercial Marketers and Distributors Sdn. Bhd.*	Negara Brunei Darussalam	Dormant (The Company has been placed under members' voluntary liquidation on 30 December 2021)

* Not audited by KPMG PLT.

14. Deferred Tax

	Note	Group		Company	
		2021 RM'000	2020 RM'000	2021 RM'000	2020 RM'000
Deferred tax assets					
At 1 January		15,455	19,376	3,771	5,335
Charged to income statements	14(i)	(7,706)	(5,076)	(2,127)	(1,564)
(Charged)/Credited to statements of other comprehensive income	14(ii)	(1,529)	1,155	-	-
At 31 December		6,220	15,455	1,644	3,771
Represented by:					
Property, plant and equipment		(2,434)	993	(1,041)	408
Tax losses		466	1,604	466	1,604
Provisions		8,080	11,221	2,219	1,759
Cash flow hedge		108	1,637	-	-
Deferred tax assets (before offsetting)		6,220	15,455	1,644	3,771
Offsetting		-	-	-	-
Deferred tax assets (after offsetting)		6,220	15,455	1,644	3,771

Notes to the Financial Statements

14. Deferred Tax (continued)

The analysis of deferred tax assets and deferred tax liabilities is as follows:

	Group		Company	
	2021 RM'000	2020 RM'000	2021 RM'000	2020 RM'000
Deferred tax assets				
Deferred tax (liabilities)/assets to be recovered after more than 12 months	(1,968)	2,597	2,219	2,011
Deferred tax assets/(liabilities) to be recovered within 12 months	8,188	12,858	(575)	1,760
At 31 December	6,220	15,455	1,644	3,771
(i) Charged to income statements:				
- Charged in respect of deferred tax assets	(7,706)	(5,076)	(2,127)	(1,564)
Net charge to income statements	(7,706)	(5,076)	(2,127)	(1,564)
(ii) Credited to statements of other comprehensive income:				
- (Charged)/Credited in respect of deferred tax assets	(1,529)	1,155	-	-
Net credit to statements of other comprehensive income	(1,529)	1,155	-	-

In accordance with current tax legislation, the unabsorbed tax losses will expire in YA 2028. The balance of unabsorbed tax losses as at 31 December 2021 is RM1,942,000 (2020: RM6,684,000).

15. Assets Held for Sale

	Group and Company	
	2021 RM'000	2020 RM'000
At 1 January	-	234
Disposals	-	(234)
At 31 December	-	-

The prior year movements to assets held for sale was mainly attributed to the shop and office of the Group. The sale was completed in March 2020 and accordingly a gain on disposal of RM386,000 was recognised.

Notes to the Financial Statements

16. Inventories

	Group	
	2021 RM'000	2020 RM'000
Raw materials	233	671
Finished goods	177,408	229,271
	177,641	229,942
Recognised in income statement:		
Inventories recognised as cost of sales	1,659,606	1,457,755
Write-down to net realisable value	11,638	11,341

17. Trade and Other Receivables

	Note	Group		Company	
		2021 RM'000	2020 RM'000	2021 RM'000	2020 RM'000
Trade receivables	17.1	465,539	212,535	-	-
Allowance for impairment	17.1	(606)	(216)	-	-
Trade receivables, net		464,933	212,319	-	-
Amounts due from fellow subsidiaries*	17.2	7,742	9,846	922	4,402
Amounts due from subsidiaries	17.3	-	-	13,683	7,054
Other receivables, deposits and prepayments	17.4	250,355	174,289	1,552	1,633
		258,097	184,135	16,157	13,089
Total receivables		723,030	396,454	16,157	13,089

* Fellow subsidiaries through a common ultimate major shareholder, British American Tobacco p.l.c.

17.1 Trade Receivables

Credit terms of trade receivables range from 1 to 60 days (2020: 1 to 60 days).

17.2 Amounts Due From Fellow Subsidiaries

The Group's and the Company's amounts due from fellow subsidiaries are unsecured and interest free with a credit term of 30 to 60 days (2020: 30 to 60 days).

17.3 Amounts Due From Subsidiaries

The Company's amounts due from subsidiaries are unsecured and interest free with a credit term of 30 days (2020: 30 days).

Notes to the Financial Statements

17. Trade and Other Receivables (continued)

17.4 Other Receivables, Deposits and Prepayments

Included in other receivables, deposits and prepayments are prepaid excise duties of RM227,126,000 (2020: RM172,054,000).

18. Capital and Reserves

Share capital

	Group and Company			
	Number of shares	Amount	Number of shares	Amount
	2021 '000	2021 RM'000	2020 '000	2020 RM'000
Ordinary shares issued and fully paid with no par value	285,530	142,765	285,530	142,765

The holders of ordinary shares are entitled to receive dividends as declared from time to time, and are entitled to one vote per share at meetings of the Company.

Cash flow hedge reserve

The cash flow hedge reserve comprises the effective portion of the cumulative net change in the fair value of cash flow hedges related to hedged transactions that have not yet occurred.

Share-based payment reserve

The share-based payment reserve comprises the cumulative value of employee services received for the issue of share options.

19. Trade and Other Payables

	Note	Group		Company	
		2021 RM'000	2020 RM'000	2021 RM'000	2020 RM'000
Trade payables	19.1	8,171	19,539	-	-
Trade accruals		70,419	60,013	-	-
Amounts due to subsidiaries	19.2	-	-	277,488	260,382
Amounts due to fellow subsidiaries*	19.3	39,242	56,028	2,166	3,148
Other payables and accruals		73,128	63,255	13,533	11,682
		190,960	198,835	293,187	275,212

Notes to the Financial Statements

19. Trade and Other Payables (continued)

Other payables and accruals comprise the following:

	Group		Company	
	2021 RM'000	2020 RM'000	2021 RM'000	2020 RM'000
Accruals for employee expenses	27,146	15,438	7,518	3,734
Accruals for administrative expenses	31,755	26,884	2,638	7,023
Provision for restructuring expenses	8,752	17,569	245	739
Other non-operating creditors	5,475	3,364	3,132	186
	73,128	63,255	13,533	11,682

* Fellow subsidiaries through a common ultimate major shareholder, British American Tobacco p.l.c.

Movements of provision for restructuring are as follows:

	Group RM'000	Company RM'000
At 1 January 2020	7,268	454
Provisions made during the year	18,825	4,740
Provisions used during the year	(8,524)	(4,455)
At 31 December 2020/1 January 2021	17,569	739
Provisions made during the year	9,282	1,828
Provisions used during the year	(18,099)	(2,322)
At 31 December 2021	8,752	245

19.1 Trade Payables

Credit terms of trade payables and suppliers of property, plant and equipment granted to the Group vary from cash term to 120 days (2020: cash term to 120 days).

19.2 Amounts Due to Subsidiaries

The Company's amounts due to subsidiaries are unsecured and subject to 3% (2020: 3%) interest per annum with a credit term of 30 days (2020: 30 days). Net changes from financing cash flows amounting to RM17,106,000 (2020: RM289,442,000).

19.3 Amounts Due to Fellow Subsidiaries

The Group's and the Company's amounts due to fellow subsidiaries are repayable within credit terms of 30 to 60 days (2020: 30 to 60 days). These amounts are unsecured and interest free.

Notes to the Financial Statements

20. Borrowings

	Group	
	2021 RM'000	2020 RM'000
Current		
Unsecured		
Revolving credit	455,000	334,000
Short-term loan	320,000	176,000
	775,000	510,000

The Group's borrowings have a maturity date between one week to one month. The Group's borrowings are denominated in Ringgit Malaysia and the fair value of borrowings is disclosed in Note 26.

Reconciliation of movement of liabilities to cash flow arising from financing activities

	Net changes from financing cash flows			
	2020 RM'000	Drawdown RM'000	Repayment RM'000	2021 RM'000
Group				
Borrowings	510,000	404,000	(139,000)	775,000

	Net changes from financing cash flows			
	2019 RM'000	Drawdown RM'000	Repayment RM'000	2020 RM'000
Group				
Borrowings	421,000	697,500	(608,500)	510,000

21. Derivative Financial Instruments

	2021		2020	
	Assets RM'000	Liabilities RM'000	Assets RM'000	Liabilities RM'000
Group				
Forward foreign exchange contract				
- cash flow hedges	456	842	93	7,002

Notes to the Financial Statements

21. Derivative Financial Instruments (continued)

The fair values of derivative financial instruments are determined based on the quoted market price of similar derivatives, as they are not traded on an active market.

During the year, a loss of RM67,000 (2020: gain of RM682,000) arising from forward foreign exchange contract in relation to cash flow hedges was recognised in the income statement.

The Group's cash flow hedges are principally net exposure in the respective foreign currencies of future payment for finished goods and services, over a period of 6 to 18 months. The timing of expected cash flows in respect of derivatives designated as cash flow hedges is expected to be comparable to the timing of when the hedged item will affect the income statement, which are expected to occur at various dates over a period of 6 to 18 months (2020: 6 to 18 months).

Gains and losses recognised in other comprehensive income on forward foreign exchange contracts are recognised in the income statement in the period or periods during which the hedged forecast transaction affects the income statement. During the year, the Group recognised a gain of RM6,370,000 (2020: loss of RM4,815,000) in the other comprehensive income and a loss of RM2,804,000 (2020: gain of RM1,795,000) was reclassified from equity to the income statement.

The notional principal amounts of the outstanding forward foreign exchange contracts are as follows:

Hedging Instruments	Currency	RM'000 equivalent	Average contracted rate
Group			
2021			
Currency to be received over the next 12 months USD39,777,000 (net)	US Dollar	167,892	1 USD = RM4.2208
2020			
Currency to be received over the next 12 months USD34,786,000 (net)	US Dollar	147,853	1 USD = RM4.2504

22. Lease Liabilities

	Group		Company	
	2021 RM'000	2020 RM'000	2021 RM'000	2020 RM'000
Current	5,274	6,307	3,309	3,465
Non-current	14,638	19,218	13,943	17,245
Total	19,912	25,525	17,252	20,710

Notes to the Financial Statements

22. Lease Liabilities (continued)

	Group		Company	
	2021 RM'000	2020 RM'000	2021 RM'000	2020 RM'000
At 1 January	25,525	26,201	20,710	23,286
Net changes from financing cash flows	(5,955)	(4,850)	(3,800)	(2,478)
Acquisition of new lease	342	5,284	342	1,012
Derecognition	-	(946)	-	(946)
Remeasurement of lease liability	-	(164)	-	(164)
At 31 December	19,912	25,525	17,252	20,710

23. Cash from Operations

	Group		Company	
	2021 RM'000	2020 RM'000	2021 RM'000	2020 RM'000
Profit before tax	394,117	329,285	264,204	287,168
Adjustment for:				
Interest income	(598)	(863)	(491)	(489)
Property, plant and equipment:				
- depreciation	6,972	7,519	2,591	2,607
- depreciation of right-of-use assets	5,977	6,269	3,628	3,724
- write-off	1	5	1	-
- (gain)/loss on disposal	(40)	351	-	181
Gain on derecognition of lease contract	-	(166)	-	(166)
Computer software:				
- amortisation	-	3	-	3
- write-off	-	1,426	-	-
Assets held for sale:				
- gain on disposal	-	(386)	-	(386)
Net foreign exchange loss	1,839	930	146	368
Net loss on impairment of financial assets at amortised cost	390	99	-	-
Inventories written down	11,638	11,341	-	-
Interest expense	17,078	17,172	4,419	7,141
Changes in working capital:				
- inventories	40,663	(143,032)	-	-
- trade and other receivables	(327,554)	7,357	(2,952)	22,688
- trade and other payables	(9,280)	26,381	607	(16,119)
	141,203	263,691	272,153	306,720

Notes to the Financial Statements

23. Cash from Operations (continued)**Cash outflows for leases as a lessee**

	Group		Company	
	2021 RM'000	2020 RM'000	2021 RM'000	2020 RM'000
Included in cash from operations:				
Payment relating to short-term leases	652	861	-	198
Included in net cash flow used in financing activities:				
Payment of lease liabilities	5,955	4,850	3,800	2,478
Interest paid in relation to lease liabilities	673	892	566	793
	7,280	6,603	4,366	3,469

24. Share-based Payments

The Group operates a number of British American Tobacco p.l.c. share-based payment arrangements of which the two principal ones are:

Long-Term Incentive Plan (LTIP)

Awards granted starting 2020 under the long term incentive plan are under the Performance Share Plan (PSP) and the Restricted Share Plan (RSP) with the following conditions:

PSP: Nil-cost options released three years from date of grant. Payout is subject to performance conditions based on earnings per share (40% of grant), operating cash flow (20% of grant), total shareholder return (20% of grant) and net turnover (20% of grant). Total shareholder return combines the share price and dividend performance of the Company by reference to one comparator group. Participants are not entitled to dividends prior to the exercise of the options. A cash equivalent dividend accrues through the vesting period and is paid on vesting. Both equity and cash-settled PSP awards were granted in March.

RSP: Nil-cost options released three years from date of grant and may be subject to forfeit if a participant leaves employment before the end of the three year holding period. Participants are not entitled to dividends prior to the exercise of the options. A cash equivalent dividend accrues through the vesting period and is paid on vesting. Both equity and cash-settled RSP awards were granted in March.

Awards granted in 2018 and 2019 are nil-cost options exercisable after three years from date of grant with a contractual life of 10 years. The performance conditions and the dividend entitlement attached to these awards are identical to the PSP award mentioned above. Both equity and cash-settled LTIP awards were granted in March.

Notes to the Financial Statements

24. Share-based Payments (continued)

Deferred Share Bonus Scheme (DSBS)

Free ordinary shares released three years from date of grant and may be subjected to forfeit if a participant leaves employment before the end of the three years holding period. Participants receive a separate payment equivalent to a proportion of the dividend payment during the holding period. Both equity and cash-settled grants are granted in March each year.

The Group also has a number of other arrangements which are not material for the Group and these are as follows:

Share Reward Scheme (SRS) and International Share Reward Scheme (ISRS)

Free shares granted in April each year (maximum £3,600 in any year) under the equity-settled scheme are subjected to a three years holding period. Participants receive dividends during the holding period which are reinvested to buy further shares.

Share-based Payment Expense

The amounts recognised in the income statement in respect of share-based payments were as follows:

	Note	Equity-settled	
		2021 RM'000	2020 RM'000
Group			
LTIP	24.1	1,705	1,240
DSBS	24.2	1,756	1,682
Other schemes	24.3	29	38
Total recognised in the income statement		3,490	2,960

	Note	Equity-settled	
		2021 RM'000	2020 RM'000
Company			
LTIP	24.1	1,306	1,121
DSBS	24.2	1,026	959
Other schemes	24.3	29	38
Total recognised in the income statement		2,361	2,118

Notes to the Financial Statements

24. Share-based Payments (continued)**24.1 Long-Term Incentive Plan**

Details of the movements for the equity and cash-settled LTIP scheme during the years ended 31 December 2021 and 31 December 2020, were as follows:

	Equity-settled Number of options in thousand	
	2021	2020
Group		
Outstanding at start of financial year	30	62
Granted during the period	16	9
Exercised during the period	(3)	(17)
Forfeited during the period	(8)	(24)
Outstanding at end of financial year	35	30
Exercisable at end of financial year	1	1

The weighted average British American Tobacco p.l.c. share price at the date of exercise for share options exercised during the period was £27.74 (2020: £30.66) for equity-settled options.

The outstanding shares for the year ended 31 December 2021 had a weighted average contractual life of 4.10 years (2020: 8.91 years) for the equity-settled scheme.

	Equity-settled Number of options in thousand	
	2021	2020
Company		
Outstanding at start of financial year	26	47
Granted during the period	13	8
Exercised during the period	(3)	(12)
Forfeited during the period	(8)	(17)
Outstanding at end of financial year	28	26
Exercisable at end of financial year	1	1

The weighted average British American Tobacco p.l.c. share price at the date of exercise for share options exercised during the period was £27.74 (2020: £30.29) for equity-settled options.

The outstanding shares for the year ended 31 December 2021 had a weighted average contractual life of 3.33 years (2020: 8.15 years) for the equity-settled scheme.

Notes to the Financial Statements

24. Share-based Payments (continued)

24.2 Deferred Share Bonus Scheme

Details of the movements for the equity and cash-settled DSBS scheme during the years ended 31 December 2021 and 31 December 2020, were as follows:

	Equity-settled Number of options in thousand	
	2021	2020
Group		
Outstanding at start of financial year	32	37
Granted during the period	14	15
Exercised during the period	(16)	(20)
Outstanding at end of financial year	30	32
Exercisable at end of financial year	-	-

The weighted average British American Tobacco p.l.c. share price at the date of exercise for share options exercised during the period was £27.21 (2020: £29.87) for equity-settled options.

The outstanding shares for the year ended 31 December 2021 had a weighted average contractual life of 1.2 years (2020: 1.5 years) for the equity-settled scheme.

	Equity-settled Number of options in thousand	
	2021	2020
Company		
Outstanding at start of financial year	18	20
Granted during the period	8	9
Forfeited during the period	(10)	(11)
Outstanding at end of financial year	16	18
Exercisable at end of financial year	-	-

The weighted average British American Tobacco p.l.c. share price at the date of exercise for share options exercised during the period was £27.43 (2020: £30.06) for equity-settled options.

The outstanding shares for the year ended 31 December 2021 had a weighted average contractual life of 1.24 years (2020: 1.51 years) for the equity-settled scheme.

Notes to the Financial Statements

24. Share-based Payments (continued)**24.3 Other Schemes****Share Reward Scheme and International Share Reward Scheme****Group**

The number of outstanding shares at the end of the year for the International Share Reward Scheme were 698 (2020: 794).

Company

The number of outstanding shares at the end of the year for the International Share Reward Scheme were 698 (2020: 654).

Valuation Assumptions

Assumptions used in the Black-Scholes models to determine the fair value of share options at grant date were as follows:

	2021		2020	
	LTIP	DSBS	LTIP	DSBS
Group and Company				
Expected volatility (%)	27.0	27.0	25.0	25.0
Average expected term to exercise (years)	3.5	3.0	3.5	3.0
Risk-free rate (%)	0.2	0.2	0.2	0.2
Expected dividend yield (%)	7.7	7.7	7.9	7.9
Share price at date of grant (£)	27.94	27.94	26.33	26.33
Fair value at grant date (£)	19.87	22.20	21.23	20.76

Market condition features were incorporated into the Monte-Carlo models for the total shareholder return elements of the LTIP, in determining fair value at grant date. Assumptions used in these models were as follows:

	2021 %	2020 %
Group and Company		
Average share price volatility FMCG comparator group	22	21
Average correlation FMCG comparator group	29	31

Fair values determined from the Black-Scholes and Monte-Carlo models use assumptions revised at the end of each reporting period for cash-settled share-based payment arrangements.

The expected British American Tobacco p.l.c. share price volatility was determined taking account of the return index (the share price index plus the dividend reinvested) over a five year period. The respective FMCG and FTSE 100 share price volatility and correlations were also determined over the same periods. The average expected term to exercise used in the models has been adjusted, based on management's best estimate, for the effects of non-transferability, exercise restrictions and behavioural conditions, forfeiture and historical experience.

Notes to the Financial Statements

24. Share-based Payments (continued)

Valuation Assumptions (continued)

The risk-free rate has been determined from market yield curves for government gilts with outstanding terms equal to the average expected term to exercise for each relevant grant. The expected dividend yield was determined by calculating the yield from the last two declared dividends divided by the grant share price.

In addition to these valuation assumptions, LTIP awards contain earnings per share performance conditions. As these are non-market performance conditions, they are not included in the determination of fair value of share options at the grant date, however they are used to estimate the number of awards expected to vest. This payout calculation is based on expectations published in analysts' forecasts.

25. Segment Reporting

The Company is domiciled in Malaysia. The revenue from external customers in Malaysia is RM2,637,255,000 (2020: RM2,315,481,000). The Group does not have any non-current assets that are located in countries other than Malaysia.

Segment analysis has not been prepared as the Group operates on a single product business primarily engaged in the manufacture, importation and sale of cigarettes and other tobacco products and this forms the focus of the Group's internal reporting systems. While the Group has clearly differentiated brands, segmentation within a wide portfolio of brands is not part of the regular internally reported financial information to the chief operational decision maker and it is not possible to segment the Group results by brand without a high degree of estimation.

The following are customers with revenue equal or more than 10 percent of the Group's total revenue:

	2021 RM'000	2020 RM'000
- Customer A	772,751	733,425
- Customer B	683,484	594,254
- Customer C	481,010	444,398
- Customer D	341,918	294,733

Notes to the Financial Statements

26. Financial Instruments

26.1 Categories of Financial Instruments

The table below provides an analysis of financial instruments categorised under MFRS 9 as follows:

- (a) Financial assets measured at amortised cost (FAAC); and
 (b) Financial liabilities measured at amortised cost (FLAC).

2021 Financial assets	Carrying amount RM'000	FAAC/FLAC RM'000	Derivative used for hedging RM'000
Group			
Trade and other receivables (excluding prepayments)	494,066	494,066	-
Cash and bank balances	21,827	21,827	-
Derivative financial assets	456	-	456
	516,349	515,893	456
Company			
Trade and other receivables (excluding prepayments)	14,584	14,584	-
Cash and bank balances	18,593	18,593	-
	33,177	33,177	-
Financial liabilities			
Group			
Borrowings	775,000	775,000	-
Trade and other payables	190,960	190,960	-
Derivative financial liabilities	842	-	842
	966,802	965,960	842
Company			
Trade and other payables	293,187	293,187	-

Notes to the Financial Statements

26. Financial Instruments (continued)

26.1 Categories of Financial Instruments (continued)

2020 Financial assets	Carrying amount RM'000	FAAC/FLAC RM'000	Derivative used for hedging RM'000
Group			
Trade and other receivables (excluding prepayments)	222,421	222,421	-
Cash and bank balances	29,002	29,002	-
Derivative financial assets	93	-	93
	251,516	251,423	93
Company			
Trade and other receivables (excluding prepayments)	11,506	11,506	-
Cash and bank balances	17,185	17,185	-
	28,691	28,691	-
Financial liabilities			
Group			
Borrowings	510,000	510,000	-
Trade and other payables	198,835	198,835	-
Derivative financial liabilities	7,002	-	7,002
	715,837	708,835	7,002
Company			
Trade and other payables	275,212	275,212	-

Notes to the Financial Statements

26. Financial Instruments (continued)

26.2 Net Gains and Losses Arising from Financial Instruments

	Group		Company	
	2021 RM'000	2020 RM'000	2021 RM'000	2020 RM'000
Net (losses)/gains on:				
Derivative used for hedging				
- recognised in income statements	(67)	682	-	-
- recognised in other comprehensive income	6,370	(4,815)	-	-
Financial assets measured at amortised cost	(226)	1,628	607	289
Financial liabilities measured at amortised cost	(17,810)	(18,074)	(4,116)	(6,516)
	(11,733)	(20,579)	(3,509)	(6,227)

26.3 Financial Risk Management

The Group and the Company have exposure to the following risks from its use of financial instruments:

- Credit risk
- Liquidity and cash flow risk
- Market risk

26.4 Credit Risk

Credit risk is the risk of a financial loss to the Group if a customer or counterparty to a financial instrument fails to meet its contractual obligations. The Group's exposure to credit risk arises principally from the individual characteristics of its receivables from customers, amounts due from fellow subsidiaries, short-term deposit and bank balances and outstanding forward exchange contracts. The Company's exposure to credit risk arises principally from amounts due from fellow subsidiaries. There are no significant changes as compared to prior periods.

Trade Receivables***Risk Management Objective, Policies and Processes for Managing The Risk***

Management has a credit policy in place and the exposure to credit risk is monitored on an ongoing basis. Credit evaluations are performed on all customers requiring credit over a certain amount with clear approving authority and limits.

Approximately 80 percent (2020: 91 percent) of the Group's trade receivables are derived from its sales to four (2020: four) of its key customers. The Group closely monitors collections from these customers. At each reporting date, the Group and the Company assess whether any of the receivables are credit-impaired.

The gross carrying amounts of credit-impaired trade receivables are written off (either partially or fully) when there is no realistic prospect of recovery. This is generally the case when the Group determines that the debtor does not have assets or sources of income that could generate sufficient cash flows to repay the amounts subject to the write-off. Nevertheless, trade receivables that are written off could still be subjected to enforcement activities. The Group does not foresee any credit risk arising from amounts due from fellow subsidiary companies.

There are no significant changes as compared to previous year.

Notes to the Financial Statements

26. Financial Instruments (continued)

26.4 Credit Risk (continued)

Trade Receivables (continued)

Exposure to Credit Risk, Credit Quality and Collateral

As at the end of the reporting period, the maximum exposure to credit risk arising from receivables is represented by the carrying amounts in the balance sheet.

A significant portion of these receivables are regular customers that have been transacting with the Group.

Short-term advances are only provided to subsidiaries which are wholly-owned by the Company.

Concentration of Credit Risk

The exposure of credit risk for trade receivables, net of allowance for impairment losses, as at the end of the reporting period by geographic region covered Malaysia only.

Recognition and Measurement of Impairment Loss

The Group uses an allowance matrix to measure expected credit losses of trade receivables. Any receivables having significant balances past due more than 90 days, which are deemed to have higher credit risk, are monitored individually.

To measure the expected credit losses, trade receivables have been grouped based on credit risk and days past due.

The following table provides information about the exposure to credit risk and expected credit losses for trade receivables as at 31 December 2021 and 31 December 2020.

Group	Gross RM'000	Loss allowance RM'000	Net RM'000
2021			
Current (not past due)	455,397	(460)	454,937
Past due 1 – 30 days	9,107	(7)	9,100
Past due 31 – 60 days	134	-	134
Past due 61 – 90 days	24	-	24
Past due more than 90 days	877	(139)	738
	465,539	(606)	464,933
2020			
Current (not past due)	208,771	(209)	208,562
Past due 1 – 30 days	3,501	(4)	3,497
Past due 31 – 60 days	11	-	11
Past due 61 – 90 days	46	-	46
Past due more than 90 days	206	(3)	203
	212,535	(216)	212,319

Notes to the Financial Statements

26. Financial Instruments (continued)

26.4 Credit Risk (continued)

Trade Receivables (continued)

Movements in the Allowance for Impairment in Respect of Trade Receivables

The movements in the allowance for impairment in respect of trade receivables during the year are as follows:

Group	RM'000
Balance at 1 January 2020	117
Net measurement of loss allowance	99
Balance at 31 December 2020/ 1 January 2021	216
Net measurement of loss allowance	390
Balance at 31 December 2021	606

Amounts Due from Fellow Subsidiaries

The ageing of amounts due from fellow subsidiaries as at the end of the financial year was:

	2021 RM'000	2020 RM'000
Group		
Not past due	7,742	9,846
Company		
Not past due	992	4,402

Generally, the Group and the Company consider amounts due from fellow subsidiaries as low credit risk. The Group and the Company determine the probability of default for these amounts due from fellow subsidiaries individually using internal information. For the financial year ended 31 December 2021, there was no evidence that the amounts due from fellow subsidiaries are not recoverable.

Cash and Bank Balances

The cash and bank balances are held with banks and financial institutions. For the financial year ended 31 December 2021, the maximum exposure to credit risk is represented by the carrying amounts in the balance sheet.

These banks and financial institutions have low credit risks. In addition, some of the bank balances are insured by government agencies. Consequently, the Group and the Company are of the view that the loss allowance is not material and hence, it is not provided for.

Notes to the Financial Statements

26. Financial Instruments (continued)

26.4 Credit Risk (continued)

Other Receivables

Expected credit loss of other receivables is determined individually after considering the financial strength of the other receivables. Based on management's assessment, the probability of the default of these receivables is low and hence, no loss allowance has been made.

26.5 Liquidity and Cash Flow Risk

Liquidity risk is the risk that the Group will not be able to meet its financial obligations as they fall due. The Group's exposure to liquidity risk arises principally from its various payables and borrowings.

The Group actively manages its debt maturity profile, operating cash flows and the availability of funding so as to ensure that all refinancing, repayment and funding needs are met. As part of its overall prudent liquidity management, the Group maintains sufficient levels of cash and bank balances to meet its working capital requirements. In addition, the Group strives to maintain available banking facilities of a reasonable level to its overall debt position. As far as possible, the Group raises committed funding from both capital markets and financial institutions so as to achieve overall cost effectiveness.

The Group utilises cash pooling and zero balancing bank account structures in addition to borrowings to ensure that there is maximum mobilisation of cash within the Group. The key objective of treasury management in respect of cash and bank balances is to concentrate cash at the centre for better cash management.

It is not expected that the cash flows included in the maturity analysis could occur significantly earlier, or at significantly different amounts.

Notes to the Financial Statements

26. Financial Instruments (continued)

26.5 Liquidity and Cash Flow Risk (continued)

The table below summarises the maturity profile of the Group's and of the Company's liabilities based on estimated contractual undiscounted repayment obligations.

2021	Carrying amount RM'000	Contractual interest rate/ incremental borrowing rate	Estimated contractual cash flows RM'000	Under 1 year RM'000	1-2 years RM'000	2-5 years RM'000	More than 5 years RM'000
Group							
Non-derivative financial liabilities							
Borrowings	775,000	2 – 3%	776,550	776,550	-	-	-
Lease liabilities	19,912	3 – 4%	21,212	5,786	4,532	10,894	-
Trade and other payables	190,960	-	190,960	190,960	-	-	-
	985,872		988,722	973,296	4,532	10,894	-
Derivative financial liabilities							
Derivative financial instruments	842	-	842	842	-	-	-
- Outflow	986,714		989,564	974,138	4,532	10,894	-
Company							
Non-derivative financial liabilities							
Lease liabilities	17,252	3 – 4%	18,467	3,778	4,274	10,415	-
Trade and other payables	293,187	-	293,187	293,187	-	-	-
	310,439		311,654	296,965	4,274	10,415	-

Notes to the Financial Statements

26. Financial Instruments (continued)

26.5 Liquidity and Cash Flow Risk (continued)

2020	Carrying amount RM'000	Contractual interest rate/ incremental borrowing rate	Estimated contractual cash flows RM'000	Under 1 year RM'000	1-2 years RM'000	2-5 years RM'000	More than 5 years RM'000
Group							
Non-derivative financial liabilities							
Borrowings	510,000	2 – 4%	511,126	511,126	-	-	-
Lease liabilities	25,525	3 – 4%	27,479	6,987	5,329	12,844	2,319
Trade and other payables	198,835	-	198,835	198,835	-	-	-
	734,360		737,440	716,948	5,329	12,844	2,319
Derivative financial liabilities							
Derivative financial instruments	7,002	-	7,002	7,002	-	-	-
- Outflow	741,362		744,442	723,950	5,329	12,844	2,319
Company							
Non-derivative financial liabilities							
Lease liabilities	20,710	3 – 4%	22,471	4,037	4,003	12,112	2,319
Trade and other payables	275,212	-	275,212	275,212	-	-	-
	295,922		297,683	279,249	4,003	12,112	2,319

Notes to the Financial Statements

26. Financial Instruments (continued)

26.6 Market Risk

Market risk is the risk that changes in market prices, such as foreign exchange rates, interest rates and other prices that will affect the Group's and the Company's financial position or cash flows.

26.6.1 Currency Risk

The Group is subject to currency exchange risk as a result of its purchases of finished goods and services in foreign currencies. The currencies giving rise to this risk are US Dollar ("USD"), Great Britain Pound ("GBP") and Euro ("EUR"). The currency profile of the assets and liabilities of the Group are disclosed in the respective notes to the financial statements.

The objective of the Group's foreign exchange policies is to allow the Group to manage exposures that arise from trading activities effectively within a framework of controls that does not expose the Group to unnecessary foreign exchange risks.

The Group enters into forward foreign exchange contracts to hedge up to 95 percent of its exposure on foreign currency payables and on cash flows to be used in anticipated transactions denominated in foreign currencies for the subsequent eighteen months. The Group's hedging period of eighteen months is in line with the hedging period that was allowed under the Foreign Exchange Control guidelines enforced by Bank Negara Malaysia.

Exposure to Foreign Currency Risk

The Group's and the Company's exposure to foreign currency (a currency which is other than the functional currency of the Group) risk, based on carrying amounts as at the end of the reporting period were:

	2021 Denominated in			2020 Denominated in		
	USD RM'000	GBP RM'000	EUR RM'000	USD RM'000	GBP RM'000	EUR RM'000
Group						
Trade receivables	-	-	-	-	2	-
Trade payables	(85)	(2)	(71)	(283)	(2,273)	(16)
Cash and bank balances	1,120	665	127	2,184	600	132
Amounts due from fellow subsidiaries	-	-	-	494	3,418	6
Amounts due to fellow subsidiaries	(12,584)	(1,784)	(127)	(8,694)	(25,575)	(35)
Net exposure in the balance sheet	(11,549)	(1,121)	(71)	(6,299)	(23,828)	87
Company						
Trade payables	-	-	-	-	(288)	-
Cash and bank balances	487	265	-	22	141	-
Amounts due from fellow subsidiaries	-	-	-	386	3,418	-
Amounts due to fellow subsidiaries	(16)	(1,362)	-	-	(2,560)	-
Net exposure in the balance sheet	471	(1,097)	-	408	711	-

Notes to the Financial Statements

26. Financial Instruments (continued)

26.6 Market Risk (continued)

26.6.1 Currency Risk (continued)

Currency Risk Sensitivity Analysis

A 10 percent (2020: 10 percent) strengthening of RM against the following currencies at the end of the financial year would have increased/(decreased) profit or loss before tax by the amounts shown below. This analysis assumes that all other variables, in particular ratio, remain constant and ignores any impact of forecasted sales and purchases.

	Group		Company	
	2021 RM'000	2020 RM'000	2021 RM'000	2020 RM'000
USD	1,155	630	(47)	(41)
GBP	112	2,383	110	(71)
EUR	7	(9)	-	-

A 10 percent (2020: 10 percent) weakening of RM against the above currencies at the end of the financial year would have had equal but opposite effect on the above currencies to the amounts shown above, on the basis that all other variables remain constant.

26.6.2 Interest Rate Risk

Interest rate risk comprises interest price risk that results from borrowings at fixed rates and interest cash flow risk that results from borrowings at variable rates. Short-term receivables and payables are not significantly exposed to interest rate risk.

The objectives of the Group's interest rate risk management policy are to lessen the impact of adverse interest rate movements on earnings, cash flow and economic value of the Group. As at the balance sheet date, there were no open interest rate swap contracts. Borrowings issued at floating rates expose the Group to risk of change in cash flows due to change in interest rate risks. The Group has floating rate borrowings as disclosed in Note 20.

Exposure to interest rate risk

The interest rate profile of the Group's and the Company's significant interest-bearing financial instruments, based on carrying amounts as at the end of the reporting period are as follows:

	Group		Company	
	2021 RM'000	2020 RM'000	2021 RM'000	2020 RM'000
Fixed rate instruments				
Financial liabilities	19,912	25,525	17,252	20,710
Floating rate instruments				
Financial liabilities	775,000	510,000	-	-

Notes to the Financial Statements

26. Financial Instruments (continued)

26.6 Market Risk (continued)

26.6.2 Interest Rate Risk (continued)

*Exposure to interest rate risk (continued)**Cash flow sensitivity analysis for variable rate instruments*

A change of 100 basis point (“bp”) in interest rates at the end of reporting period would have increased/(decreased) equity and pre-tax profit by the amounts shown below:

Group	2021 Profit or loss		2020 Profit or loss	
	100 bp increase RM'000	100 bp decrease RM'000	100 bp increase RM'000	100 bp decrease RM'000
	Floating rate instruments	(7,750)	7,750	(5,100)

26.7 Fair Value Information

The carrying amounts of cash and bank balances, short-term receivables and payables and borrowings reasonably approximate their fair values due to the relatively short-term nature of these financial instruments. Accordingly, the fair values and fair value hierarchy levels have not been presented for these instruments.

The Group measures its forward foreign exchange contracts (cash flow hedges) at fair values, as disclosed in Note 21. The fair values of forward foreign exchange contracts are determined based on the quoted market price of similar derivatives, as they are not traded on an active market. These derivatives are classified as Level 2 financial instruments.

The Group measures the fair values of its borrowings based on observable yield curves. The fair value of the Group's financial assets and financial liabilities approximate to their carrying value.

Notes to the Financial Statements

27. Capital Management

The Group's objectives when managing capital is to maintain a strong capital base and safeguard the Group's ability to continue as a going concern, so as to maintain investor, creditor and market confidence and to sustain future development of the business. The Directors monitor and are determined to maintain an optimal debt-to-equity ratio.

The Group defines capital as net debt and equity. Net debt is calculated as total borrowings less cash and bank balances. The debt-to-equity ratios at 31 December 2021 and at 31 December 2020 were as follows:

	Group	
	2021 RM'000	2020 RM'000
Total borrowings (Note 20)	775,000	510,000
Less: Cash and bank balances	(21,827)	(29,002)
	753,173	480,998
Total equity	382,522	372,639
Debt-to-equity ratio	2.0	1.3

There was no change in the Group's approach to capital management during the financial year.

28. Capital Commitments

	Group		Company	
	2021 RM'000	2020 RM'000	2021 RM'000	2020 RM'000
Property, plant and equipment Contracted but not provided for	-	2	-	1

29. Related Parties

Identity of Related Parties

For the purposes of these financial statements, parties are considered to be related to the Group if the Group or the Company has the ability, directly or indirectly, to control the party or exercise significant influence over the party in making financial and operating decisions, or vice versa, or where the Group or the Company and the party are subject to common control or common significant influence. Related parties may be individuals or other entities.

Related parties also include key management personnel defined as those persons having authority and responsibility for planning, directing and controlling the activities of the Group either directly or indirectly. The key management personnel include all the Directors of the Group. The Directors' remuneration paid is disclosed in Note 5.

The Group has related party relationship with its holding company, subsidiaries and key management personnel.

Notes to the Financial Statements

29. Related Parties (continued)**Significant Related Party Transactions**

The Group's and the Company's transactions are with member corporations of British American Tobacco p.l.c. (British American Tobacco p.l.c. indirectly through British American Tobacco Holdings (Malaysia) B.V., owns fifty percent equity interest in the Company and is the Company's ultimate holding company).

The significant related party transactions of the Group and of the Company are shown below. The balances related to the transactions below are shown in Note 17 and Note 19.

	Group	
	2021 RM'000	2020 RM'000
(i) Purchase of goods		
Purchase of leaf, cigarette packaging and wrapping materials and tobacco products from:		
- PT Bentoel Prima	156,932	164,334
(ii) Procurement of services		
Procurement of information technology services from:		
- British American Shared Services (GSD) Limited	15,803	12,483
(iii) Technical and advisory (includes share-based payment charges)		
Payment for technical and advisory support services to:		
- British American Tobacco Investments Ltd.	14,314	17,081
- BAT Aspac Service Centre Sdn. Bhd.	12,872	8,196
	27,186	25,277
(iv) Royalties		
Royalties paid/payable to:		
- British American Tobacco Exports Limited (f.k.a: British American Tobacco Western Europe Commercial Trading Limited)	84,765	60,173
- British American Tobacco (Holdings) Ltd.	-	15,626
	84,765	75,799

Notes to the Financial Statements

29. Related Parties (continued)

Significant Related Party Transactions (continued)

	Company	
	2021 RM'000	2020 RM'000
(i) Management fee		
Management fee received from:		
- Commercial Marketers and Distributors Sdn. Bhd.	4,631	4,147
- Tobacco Importers and Manufacturers Sdn. Berhad	164	158
	4,795	4,305
(ii) Fee for usage of property, plant and equipment		
Fee for usage of property, plant and equipment received from:		
- Commercial Marketers and Distributors Sdn. Bhd.	2,299	2,460
- Tobacco Importers and Manufacturers Sdn. Berhad	69	87
	2,368	2,547
(iii) Technical and advisory		
Provision of technical and advisory fees received from:		
- British American Tobacco Sales & Marketing (Singapore) Pte. Ltd.	1,712	1,500
(iv) Technical and advisory		
Payment of fees for technical and advisory support services to:		
- BAT Aspac Service Centre Sdn. Bhd.	7,546	4,734
(v) Interest expense		
Interest expense on cash pooling:		
- Commercial Marketers and Distributors Sdn. Bhd.	2,900	4,192
- Tobacco Importers and Manufacturers Sdn. Berhad	940	1,891
	3,840	6,083

30. Restructuring Expenses

The Group had undertaken measures in restructuring the organisation to be more efficient, agile and focused to enable the Group to continue operating effectively in a challenging business environment. This restructuring resulted in a reduction of the workforce and reconstructed a new base for sustainable cost structure.

The financial impact arising from the abovementioned restructuring of business operations is set out below:

	Group		Company	
	2021 RM'000	2020 RM'000	2021 RM'000	2020 RM'000
Restructuring expenses	9,282	18,825	1,828	4,740

Statement by Directors

pursuant to Section 251(2) of the Companies Act 2016

In the opinion of the Directors, the financial statements set out on pages 114 to 180 are drawn up in accordance with Malaysian Financial Reporting Standards, International Financial Reporting Standards and the requirements of Companies Act 2016 in Malaysia so as to give a true and fair view of the financial position of the Group and of the Company as of 31 December 2021 and of their financial performance and cash flows for the financial year then ended.

Signed on behalf of the Board of Directors in accordance with a resolution of the Board of Directors:



Nedal Louay Salem
Managing Director



Anthony Yong Mun Seng
Finance Director

Kuala Lumpur

Date: 8 February 2022

Statutory Declaration

pursuant to Section 251(1)(b) of the Companies Act 2016

I, Anthony Yong Mun Seng, the Director primarily responsible for the financial management of British American Tobacco (Malaysia) Berhad, do solemnly and sincerely declare that the financial statements set out on pages 114 to 180 are, to the best of my knowledge and belief, correct and I make this solemn declaration conscientiously believing the declaration to be true, and by virtue of the Statutory Declarations Act, 1960.

Subscribed and solemnly declared by the abovenamed Anthony Yong Mun Seng, MIA CA: 25298, at Kuala Lumpur in the State of Federal Territory on 8 February 2022.



Anthony Yong Mun Seng

Finance Director

Before me:



LEVEL 25, MENARA HONG LEONG,
NO 6, JALAN DAMANLELA, BUKIT DAMANSARA
50490 KUALA LUMPUR

Independent Auditors' Report

To The Members of British American Tobacco (Malaysia) Berhad

Registration No. 196101000326 (4372-M)
(Incorporated in Malaysia)

REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS

Opinion

We have audited the financial statements of British American Tobacco (Malaysia) Berhad, which comprise the balance sheets as at 31 December 2021 of the Group and of the Company, and the income statements, statements of other comprehensive income, statements of changes in equity and statements of cash flows of the Group and of the Company for the year then ended, and notes to the financial statements, including a summary of significant accounting policies, as set out on pages 114 to 180.

In our opinion, the accompanying financial statements give a true and fair view of the financial position of the Group and of the Company as at 31 December 2021, and of their financial performance and their cash flows for the year then ended in accordance with Malaysian Financial Reporting Standards, International Financial Reporting Standards and the requirements of the Companies Act 2016 in Malaysia.

Basis for Opinion

We conducted our audit in accordance with approved standards on auditing in Malaysia and International Standards on Auditing. Our responsibilities under those standards are further described in the *Auditors' Responsibilities for the Audit of the Financial Statements* section of our auditors' report. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Independence and Other Ethical Responsibilities

We are independent of the Group and of the Company in accordance with the *By-Laws (on Professional Ethics, Conduct and Practice)* of the Malaysian Institute of Accountants ("By-Laws") and the International Ethics Standards Board for Accountants' *International Code of Ethics for Professional Accountants (including International Independence Standards)* ("IESBA Code"), and we have fulfilled our other ethical responsibilities in accordance with the By-Laws and the IESBA Code.

Key Audit Matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the financial statements of the Group and of the Company for the current year. These matters were addressed in the context of our audit of the financial statements of the Group and of the Company as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Goodwill - Assessment of potential impairment

Refer to Note 2(f)(i) - Significant accounting policy: Intangible Assets - Goodwill and Note 12 - Goodwill.

The key audit matter

The carrying amount of the Group's goodwill as at 31 December 2021 amounts to RM411,618,000.

The Group performs annual impairment assessment of its goodwill with indefinite useful lives by comparing the carrying amount of the goodwill against the discounted cash flow forecasts of the cash generating unit to determine the amount of impairment loss which should be recognised for the year, if any.

We have identified goodwill assessment as a key audit matter for the Group because:

- the carrying amount is significant to the Group's total assets; and
- there is significant judgement involved in the forecasting and discounting of future cash flows, which is the basis of the Group's assessment of the recoverable value of the goodwill.

Independent Auditors' Report

To The Members of British American Tobacco (Malaysia) Berhad

Registration No. 196101000326 (4372-M)

(Incorporated in Malaysia)

Key Audit Matters (continued)

How the matter was addressed in our audit

Our audit procedures included, amongst others:

- Evaluated Group's cash flow forecasts to the approved business plans by both Board of Directors and management;
- Compared prior year cash flow forecasts to current year actual results to assess the performance of the business and the reliability of prior year's forecast; and
- Tested the assumptions and methodologies used. To do this, we:
 - involved our internal valuation specialists to evaluate and compare the discount rate to similar companies in the market.
 - compared the key assumptions to externally derived data as well as our own assessments of the key inputs such as projected volumes and margins.
 - assessed the sensitivity of the outcome of the impairment assessment to changes in key assumptions.

We have determined that there are no key audit matters in the audit of the separate financial statements of the Company to communicate in our auditors' report.

Information Other than the Financial Statements and Auditors' Report Thereon

The Directors of the Company are responsible for the other information. The other information comprises the information included in the Directors' Report and the annual report, but does not include the financial statements of the Group and of the Company and our auditors' report thereon.

Our opinion on the financial statements of the Group and of the Company does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements of the Group and of the Company, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements of the Group and of the Company or our knowledge obtained in the audit, or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of the other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of the Directors for the Financial Statements

The Directors of the Company are responsible for the preparation of financial statements of the Group and of the Company that give a true and fair view in accordance with Malaysian Financial Reporting Standards, International Financial Reporting Standards and the requirements of the Companies Act 2016 in Malaysia. The Directors are also responsible for such internal control as the Directors determine is necessary to enable the preparation of financial statements of the Group and of the Company that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements of the Group and of the Company, the Directors are responsible for assessing the ability of the Group and of the Company to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the Directors either intend to liquidate the Group or the Company or to cease operations, or have no realistic alternative but to do so.

Independent Auditors' Report

To The Members of British American Tobacco (Malaysia) Berhad

Registration No. 196101000326 (4372-M)

(Incorporated in Malaysia)

Auditors' Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements of the Group and of the Company as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with approved standards on auditing in Malaysia and International Standards on Auditing will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with approved standards on auditing in Malaysia and International Standards on Auditing, we exercise professional judgement and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements of the Group and of the Company, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the internal control of the Group and of the Company.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Directors.
- Conclude on the appropriateness of the Directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the ability of the Group or of the Company to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the financial statements of the Group and of the Company or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors' report. However, future events or conditions may cause the Group or the Company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements of the Group and of the Company, including the disclosures, and whether the financial statements of the Group and of the Company represent the underlying transactions and events in a manner that gives a true and fair view.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the financial statements of the Group. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with the Directors regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide the Directors with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

Independent Auditors' Report

To The Members of British American Tobacco (Malaysia) Berhad

Registration No. 196101000326 (4372-M)

(Incorporated in Malaysia)

Auditors' Responsibilities for the Audit of the Financial Statements (continued)

From the matters communicated with the Directors, we determine those matters that were of most significance in the audit of the financial statements of the Group and of the Company for the current year and are therefore the key audit matters. We describe these matters in our auditors' report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our auditors' report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

Report on Other Legal and Regulatory Requirements

In accordance with the requirements of the Companies Act 2016 in Malaysia, we report that the subsidiaries of which we have not acted as auditors are disclosed in Note 13 to the financial statements.

Other Matter

This report is made solely to the members of the Company, as a body, in accordance with Section 266 of the Companies Act 2016 in Malaysia and for no other purpose. We do not assume responsibility to any other person for the content of this report.



KPMG PLT

(LLP0010081-LCA & AF 0758)

Chartered Accountants

Petaling Jaya

Date: 8 February 2022



Adrian Lee Lye Wang

Approval Number: 02679/11/2023 J

Chartered Accountant

GRI Standards Index

GRI Standard	Disclosure	Remarks/ Page Number	Omission
General Disclosures			
Organisational Profile			
102-1	Name of the organisation	Front cover, 6	
102-2	Activities, brands, products and services	6, 7, 10	
102-3	Location of headquarters	11	
102-4	Location of operations	Refer to Corporate Directory on page 194	
102-5	Ownership and legal form	6	
102-6	Markets served	Refer to Management Discussion and Analysis on page 16 to 29	
102-7	Scale of the organisation	8, 9, 20, 25	
102-8	Information on employees and other workers	52	
102-9	Supply chain	23	
102-10	Significant changes to the organisation and its supply chain	There have been no significant changes to Operations for BAT Malaysia in 2021	
102-11	Precautionary Principle or approach	Refer to Statement on Risk Management and Internal Control on page 97 to 104	
102-12	External initiatives	UN SDGs, the United Nations Guiding Principles on Business and Human Rights and the Organisation for Economic Cooperation and Development Guidelines for Multinational Enterprises	
102-13	Membership of associations	<ul style="list-style-type: none"> > Confederation of Malaysia Tobacco Manufacturers (CMTM) > Malaysian International Chamber of Commerce and Industry (MICCI) > Federation of Malaysian Manufacturers (FMM) > British Malaysian Chamber of Commerce (BMCC) > Retail and Trade Brand Advocacy (RTBA) > Institute of Corporate Directors (ICDM) 	
Strategy			
102-14	Statement from senior decision-maker	Refer to Leadership Statements from pages 12 to 15	
102-15	Key impacts, risks, and opportunities	Refer to Management Discussion and Analysis on page 16 to 29	
Ethics & Integrity			
102-16	Values, principles, standards, and norms of behaviour	Refer to Corporate Governance Overview on pages 76 to 86	
102-17	Mechanisms for advice and concerns about ethics	Refer to Corporate Governance Overview on pages 76 to 86	
Governance			
102-18	Governance structure	Refer to Commitment to Strong Governance from pages 66 to 75	
102-19	Delegating authority	Refer to Corporate Governance Overview from pages 76 to 95	
102-20	Executive-level responsibility for economic, environmental, and social topics	Refer to Corporate Governance Overview on page 76 to 86	
102-21	Consulting stakeholders on economic, environmental, and social topics	Refer to Listening to Our Stakeholders on page 35	
102-22	Composition of the highest governance body and its committees	Refer to Commitment to Strong Governance from pages 66 to 75	
102-23	Chair of the highest governance body	Refer to Commitment to Strong Governance from pages 66 to 75	
102-24	Nominating and selecting the highest governance body	Refer to Commitment to Strong Governance from pages 66 to 75 and Corporate Governance Overview from pages 76 to 86	
102-25	Conflicts of interest	Refer to Commitment to Strong Governance on page 91	
102-26	Role of highest governance body in setting purpose, values, and strategy	Refer to Commitment to Strong Governance from pages 66 to 75	

GRI Standards Index

GRI Standard	Disclosure	Remarks/ Page Number	Omission
102-27	Collective knowledge of highest governance body	Refer to Commitment to Strong Governance from pages 66 to 75	
102-28	Evaluating the highest governance body's performance	Refer to Audit Committee Report on pages 92 to 94	
102-29	Identifying and managing economic, environmental, and social impacts	Refer to Sustainability on pages 30 to 63	
102-30	Effectiveness of risk management processes	Refer to Statement on Risk Management and Internal Control on page 97	
102-31	Review of economic, environmental, and social topics	Refer to Sustainability on pages 30 to 63	
102-32	Highest governance body's role in sustainability reporting	Refer to Commitment to Strong Governance from pages 78 to 90	
102-33	Communicating Critical Concerns	Refer to Risk Management Committee Report on page 95, Effective Communication with Stakeholders on page 96 and Statement on Risk Management and Internal Control on pages 97 to 104	
102-34	Nature and Total Number of Critical Concerns		Not applicable
102-35	Remuneration policies	Refer to Corporate Governance Overview from pages 85 to 86 and Nomination and Remuneration Committee Report from pages 87 to 89	
102-36	Process for determining remuneration	Refer to Corporate Governance Overview from pages 85 to 86 and Nomination and Remuneration Committee Report from pages 87 to 89	
102-37	Stakeholders' involvement in remuneration	Refer to Corporate Governance Overview from pages 85 to 86 and Nomination and Remuneration Committee Report from pages 87 to 89	
102-38	Annual total compensation ratio	Refer to Corporate Governance Overview from pages 85 to 86 and Nomination and Remuneration Committee Report from pages 87 to 89	
102-39	Percentage increase in annual total compensation ratio		Not applicable
102-40	List of stakeholder groups	Refer to Listening to Our Stakeholders on page 35	
102-41	Collective bargaining agreements		Not applicable as no employees are covered by collective bargaining agreements in BAT Malaysia.
102-42	Identifying and selecting stakeholders	Refer to Listening to Our Stakeholders on page 35	
102-43	Approach to stakeholder engagement	Refer to Listening to Our Stakeholders on page 35	
102-44	Key topics and concerns raised	Refer to Listening to Our Stakeholders on page 35	
102-45	Entities included in the consolidated financial statements	Refer to Notes to The Financial Statements on pages 122 to 180	
102-46	Defining report content and topic Boundaries	Refer to About This Report on page 1	
102-47	List of material topics	Refer to How We Assess Materiality on page 34	
102-48	Restatements of information	There is no restatement of information from previous report	
102-49	Changes in reporting	No significant changes from previous reporting periods in the list of material topics and topic Boundaries.	
102-50	Reporting period	Refer to About This Report on page 1	
102-51	Date of most recent report	Our latest Annual Report was published on 24 March 2021 for the period covering 1 January 2020 to 31 December 2020	
102-52	Reporting cycle	Annually	
102-53	Contact point for questions regarding the Report	Refer to About This Report on page 1	
102-54	Claims of reporting in accordance with the GRI Standards	Refer to About This Report on page 1	
102-55	GRI content index	Pages 187 to 194	
102-56	External assurance	This Report has not been externally assured	

GRI Standards Index

GRI Standard	Disclosure	Remarks/ Page Number	Omission
ECONOMIC			
Management Approach			
103-1	Explanation of the material topic and its boundary	Refer to Management Discussion and Analysis from pages 18 to 29	
103-2	The management approach and its components	Refer to Management Discussion and Analysis from pages 18 to 29	
103-3	Evaluation of the management approach	Refer to Management Discussion and Analysis from pages 18 to 29	
201: Economic Performance			
103-1	Explanation of the material topic and its boundary	Refer to Management Discussion and Analysis from pages 18 to 29	
103-2	The management approach and its components	Refer to Management Discussion and Analysis from pages 18 to 29	
103-3	Evaluation of the management approach	Refer to Management Discussion and Analysis from pages 18 to 29	
201-1	Direct economic value generated and distributed	Refer to Finance Director's Review on pages 24 to 29	
201-2	Financial implications and other risks and opportunities due to climate change	Refer to Environment in Sustainability on pages 37 to 46	
201-3	Defined benefit plan obligation and other retirement plans	In 2021, BAT Malaysia maintained its employer contribution for the Employees Provident Fund (EPF), which is 4 percent higher than the mandatory employer contribution. This involves 12 percent for salaries more than RM5,000 and 13 percent for salaries less than RM5,000. In total, BAT Malaysia contributed 16 percent or 17 percent to the employees' EPF.	
201-4	Financial assistance received from government	BAT Malaysia did not receive any financial assistance from the government in 2021.	
202: Market Presence			
103-1	Explanation of the material topic and its boundary	Refer to Management Discussion and Analysis on pages 18 to 29	
103-2	The management approach and its components	Refer to Management Discussion and Analysis on pages 18 to 29	
103-3	Evaluation of the management approach	Refer to Management Discussion and Analysis on pages 18 to 29	
202-1	Ratios of standard entry level wage by gender compared to local minimum wage	BAT Malaysia ensures that its workforce is compensated above the prescribed amount in the Minimum Wages Order 2020 irrespective of gender or location.	
202-2	Proportion of senior management hired from local community	In 2021, 70 percent of our senior management were locals.	
203: Indirect Economic Impacts			
103-1	Explanation of the material topic and its boundary	Refer to Community in Sustainability on page 63	
103-2	The management approach and its components	Refer to Community in Sustainability on page 63	
103-3	Evaluation of the management approach	Refer to Community in Sustainability on page 63	
203-1	Infrastructure investments and services supported	Refer to Community in Sustainability on page 63	
203-2	Significant indirect economic impacts	Refer to Community in Sustainability on page 63	
204: Procurement Practices			
103-1	Explanation of the material topic and its boundary	Refer to Simpler and Smarter Organisation on page 23	
103-2	The management approach and its components	Refer to Simpler and Smarter Organisation on page 23	
103-3	Evaluation of the management approach	Refer to Simpler and Smarter Organisation on page 23	
ENVIRONMENTAL			
103: Management Approach			
103-1	Explanation of the material topic and its boundary	Refer to Environment in Sustainability on page 37	
103-2	The management approach and its components	Refer to Environment in Sustainability on page 37	
103-3	Evaluation of the management approach	Refer to Environment in Sustainability on page 37	
302: Energy			
103-1	Explanation of the material topic and its boundary	Refer to Environment in Sustainability on page 41	
103-2	The management approach and its components	Refer to Environment in Sustainability on page 41	
103-3	Evaluation of the management approach	Refer to Environment in Sustainability on page 41	
302-1	Energy Consumption Within the Organisation	Refer to Environment in Sustainability on page 41	
302-4	Reduction of Energy Consumption	Refer to Environment in Sustainability on page 41	

GRI Standards Index

GRI Standard	Disclosure	Remarks/ Page Number	Omission
ENVIRONMENTAL (continued)			
303: Water and Effluents 2018			
103-1	Explanation of the material topic and its boundary	Refer to Water in Sustainability on page 42	
103-2	The management approach and its components	Refer to Water in Sustainability on page 42	
103-3	Evaluation of the management approach	Refer to Water in Sustainability on page 42	
303-1	Interactions with water as a shared resource	Refer to Water in Sustainability on page 42	
303-2	Management of water discharge-related impacts	Refer to Water in Sustainability on page 42	
303-3	Water withdrawal	Refer to Water in Sustainability on page 43	
303-4	Water discharge	Refer to Water in Sustainability on page 43	
303-5	Water consumption	Refer to Water in Sustainability on page 43	
305: Emissions			
103-1	Explanation of the material topic and its boundary	Refer to Climate Change in Sustainability on page 39	
103-2	The management approach and its components	Refer to Climate Change in Sustainability on page 39	
103-3	Evaluation of the management approach	Refer to Climate Change in Sustainability on page 39	
305-1	Direct (Scope 1) GHG Emissions	Refer to Climate Change in Sustainability on page 40	
305-2	Energy indirect (Scope 2) GHG Emissions	Refer to Climate Change in Sustainability on page 40	
305-3	Other indirect (Scope 3) GHG Emissions	Refer to Climate Change in Sustainability on page 40	
305-4	GHG Emissions Intensity	Refer to Climate Change in Sustainability on page 40	
305-5	Reduction of GHG Emissions	Refer to Climate Change in Sustainability on page 40	
306: WASTE 2020			
103-1	Explanation of the material topic and its boundary	Refer to Waste in Sustainability on page 45	
103-2	The management approach and its components	Refer to Waste in Sustainability on page 44 & 45	
103-3	Evaluation of the management approach	Refer to Waste in Sustainability on page 45	
306-1	Waste generation and significant waste-related impacts	Refer to Waste in Sustainability on page 45	
306-2	Management of significant waste-related impacts	Refer to Waste in Sustainability on page 44 & 45	
306-3	Waste generated	Refer to Waste in Sustainability on page 46	
306-4	Waste diverted from disposal	Refer to Waste in Sustainability on page 46	
306-5	Waste directed to disposal	Refer to Waste in Sustainability on page 46	
307: Environmental Compliance			
307-1	Non-compliance with environmental laws and regulations	There were no non-compliance with environmental laws and regulations	
SOCIAL			
Management Approach			
103-2	The management approach and its components	Refer to Social in Sustainability from pages 47 to 63	
103-3	Evaluation of the management approach	Refer to Social in Sustainability from pages 47 to 63	
103-1	Explanation of the material topic and its boundary	Refer to Social in Sustainability from pages 47 to 63	
401: Employment			
103-1	Explanation of the material topic and its boundary	Refer to Workforce from pages 47 to 59	
103-2	The management approach and its components	Refer to Workforce from pages 47 to 59	
103-3	Evaluation of the management approach	Refer to Workforce from pages 47 to 59	
401-1	New employee hires and employee turnover	Refer to Attracting & Retaining The Best Talent in Sustainability on page 54	
401-2	Benefits provided to full-time employees that are not provided to temporary or part-time employees	Refer to Attracting & Retaining the Best Talent in Sustainability on page 55	
401-3	Parental leave	Refer to Diversity & Inclusion in Sustainability on page 53	
402: Labour/ Management Relations			
402-1	Minimum notice periods regarding operational changes		Not applicable as no employees are covered by collective bargaining agreements in BAT Malaysia.

GRI Standards Index

GRI Standard	Disclosure	Remarks/ Page Number	Omission
SOCIAL (continued)			
403: Occupational Health and Safety			
103-1	Explanation of the material topic and its boundary	Refer to Workplace in Sustainability from pages 59 to 60	
103-2	The management approach and its components	Refer to Workplace in Sustainability from pages 59 to 60	
103-3	Evaluation of the management approach	Refer to Workplace in Sustainability from pages 59 to 60	
403-1	Occupational Health and Safety Management System	Refer to Workplace in Sustainability from pages 59 to 60	
403-2	Hazard Identification, Risk Assessment and Incident Investigation	Refer to Workplace in Sustainability on page 60	
403-4	Worker participation, consultation and communication on occupational health and safety	Refer to Workplace in Sustainability on page 60	
403-5	Worker training on occupational health and safety	Refer to Workplace in Sustainability on page 61 to 62	
403-8	Workers covered by an occupational health and safety management system	Refer to Workplace in Sustainability on page 60	
403-9	Work-related injuries	Refer to Workplace in Sustainability on page 62	
403-10	Work-related ill health	Refer to Workplace in Sustainability on page 62	
404: Training and Education			
103-2	The management approach and its components	Refer to Accelerating Tomorrow's Leaders on page 47 and Investing in Leaders from pages 48 to 50	
103-3	Evaluation of the management approach	Refer to Accelerating Tomorrow's Leaders on page 47 and Investing in Leaders from pages 48 to 50	
103-1	Explanation of the material topic and its boundary	Refer to Accelerating Tomorrow's Leaders on page 47 and Investing in Leaders from pages 48 to 50	
404-1	Average hours of training per year per employee	Refer to Investing in Leaders on page 50	
404-2	Programmes for upgrading employee skills and transition assistance programmes	Refer to Accelerating Tomorrow's Leaders on page 47 and Investing in Leaders from pages 48 to 50	
404-3	Percentage of employees receiving regular performance and career development	100 percent of our employees received regular performance and career development	
405: Diversity and Equal Opportunity			
103-1	Explanation of the material topic and its boundary	Refer to Growth Through Diversity in Sustainability from pages 51 to 54	
103-2	The management approach and its components	Refer to Growth Through Diversity in Sustainability from pages 51 to 54	
103-3	Evaluation of the management approach	Refer to Growth Through Diversity in Sustainability from pages 51 to 54	
405-1	Diversity of governance bodies and employees	Refer to Growth Through Diversity in Sustainability from pages 51 to 54	
406: Non-Discrimination			
406-1	Incidents of discrimination and corrective actions taken	There were zero cases of discrimination reported in 2021. Refer to Diversity and Inclusion on page 51	
407: Freedom of Association and Collective Bargaining			
407-1	Operations and suppliers in which the right to freedom of association and collective bargaining may be at risk		Not applicable as no employees are covered by collective bargaining agreements in BAT Malaysia.
408: Child Labour			
408-1	Operations and suppliers at significant risk for incidents of child labour	Refer to Human Rights in Sustainability on page 63	
409: Forced or Compulsory Labour			
409-1	Operations and suppliers at significant risk for incidents of forced or compulsory labour	Refer to Human Rights in Sustainability on page 63	
410: Security Practices			
410-1	Security personnel trained in human rights policies or procedures	Refer to Human Rights in Sustainability on page 63	
411: Incidents of violations involving rights of indigenous peoples			
411-1	Incidents of violations involving rights of indigenous peoples	Refer to Human Rights in Sustainability on page 63	

GRI Standards Index

GRI Standard	Disclosure	Remarks/ Page Number	Omission
SOCIAL (continued)			
412: Human Rights Assessment			
103-1	Explanation of the material topic and its boundary	Refer to Human Rights in Sustainability on page 63	
103-2	The management approach and its components	Refer to Human Rights in Sustainability on page 63	
103-3	Evaluation of the management approach	Refer to Human Rights in Sustainability on page 63	
412-1	Operations that have been subjected to human rights reviews or impact assessments	Refer to Human Rights in Sustainability on page 63	
412-2	Employee training on human rights policies or procedures	Refer to Human Rights in Sustainability on page 63	
413: Local Communities			
103-1	Explanation of the material topic and its boundary	Refer to Community in Sustainability on page 63	
103-2	The management approach and its components	Refer to Community in Sustainability on page 63	
103-3	Evaluation of the management approach	Refer to Community in Sustainability on page 63	
413-1	Operations with local community engagement, impact assessments and development programmes	Refer to Community in Sustainability on page 63	
414: Supplier Social Assessment			
103-1	Explanation of the material topic and its boundary	Refer to Human Rights in Sustainability on page 63	
103-2	The management approach and its components	Refer to Human Rights in Sustainability on page 63	
103-3	Evaluation of the management approach	Refer to Human Rights in Sustainability on page 63	
415: Public Policy			
415-1	Political contributions	There were no political contributions made by BAT Malaysia in 2021. Refer to Standards of our Business Conduct in the Corporate Governance Overview Statement on page 91	
416: Customer Health and Safety			
416-1	Assessment of the health and safety impacts of product and service categories	100 percent of our tobacco products are assessed to ensure compliance to the emission standard for cigarette as provided under the Control of Tobacco Product Regulations (CTPR)	
416-2	Incidents of non-compliance concerning the health and safety impacts of products and services	There were zero incidents of non-compliance concerning the health and safety impacts or products and services	
418: Customer Privacy			
418-1	Substantiated complaints concerning breaches of customer privacy and losses of customer data	There were no substantiated complaints concerning breaches of customer privacy and losses of customer data in 2021	
419: Socio-Economic Compliance			
419-1	Non-compliance with laws and regulations in the social and economic area	<p>There were no significant fines or any non-monetary sanctions imposed on BAT Malaysia in 2021 for non-compliance with law and regulations.</p> <p>There were also no significant fines imposed on BAT Malaysia in 2021 for non-compliance with laws and regulations concerning the provision and use of products and services.</p>	

GRI Standards Index

GRI Standard	Disclosure	Remarks/ Page Number	Omission
GOVERNANCE			
Management Approach			
103-1	Explanation of the material topic and its boundary	Refer to Commitment to Strong Governance from pages 66 to 105	
103-2	The management approach and its components	Refer to Commitment to Strong Governance from pages 66 to 105	
103-3	Evaluation of the management approach	Refer to Commitment to Strong Governance from pages 66 to 105	
205: Anti-Corruption			
205-2	Communication and training about anti-corruption policies and procedures	100 percent of our employees completed the Anti-Bribery and Corruption e-module, which is mandatory and part of our Standards of Business Conduct (SOBC). Our Anti-Bribery and Corruption policies and procedures are communicated to all our employees across all employment categories via email as well as the SOBC.	
205-3	Confirmed incidents of corruption and actions taken	There were zero confirmed incidents of corruption and actions taken in 2021	
206: Anti-Competitive Behaviour			
206-1	Legal actions for anti-competitive behaviour, anti-trust and monopoly practices	There was no legal action taken against BAT Malaysia for anti-competitive behaviour, anti-trust or monopoly practices in 2021.	

Corporate Directory

Principal Offices

BRITISH AMERICAN TOBACCO (MALAYSIA) BERHAD
 [Registration No. 196101000326 (4372-M)]
 Head Office
 Level 19, Guoco Tower
 No. 6, Jalan Damanlela
 Bukit Damansara
 50490 Kuala Lumpur
 Tel : +60(3) 2720 8188
 Fax : +60(3) 2720 8106

TOBACCO IMPORTERS AND MANUFACTURERS SDN. BERHAD
 [Registration No. 196101000373 (4414-U)]
 Level 19, Guoco Tower
 No. 6, Jalan Damanlela
 Bukit Damansara
 50490 Kuala Lumpur
 Tel : +60(3) 2720 8188
 Fax : +60(3) 2720 8106

COMMERCIAL MARKETERS AND DISTRIBUTORS SDN. BHD
 [Registration No. 1978010005300 (42316-T)]
 Level 19, Guoco Tower
 No. 6, Jalan Damanlela
 Bukit Damansara
 50490 Kuala Lumpur
 Tel : +60(3) 2720 8188
 Fax : +60(3) 2720 8106

Manufacturing Plant

TOBACCO IMPORTERS AND MANUFACTURERS SDN. BERHAD
 [Registration No. 196101000373 (4414-U)]
 No. 4, Jalan Teknologi Perintis 1/2
 Taman Teknologi Nusajaya
 79250 Iskandar Puteri
 Johar Darul Takzim
 Tel : +60(7) 869 1686
 Fax : +60(7) 869 1678

Branch Offices

PENANG
 No. 50 Weld Quay
 10300 Penang
 Tel : +60(4) 261 8840
 Fax : +60(4) 261 8799

IPOH
 No. 120 Jalan Silibin
 30000 Ipoh, Perak
 Tel : +60(5) 528 7680 | 7689 / 7690
 Fax : +60(5) 528 7684

SELANGOR
 No. 30, Jalan Pengacara U1/48
 Kawasan Perindustrian Temasya
 40150 Shah Alam, Selangor

KUALA LUMPUR
 Level 19, Guoco Tower
 No. 6, Jalan Damanlela
 Bukit Damansara
 50490 Kuala Lumpur
 Tel : +60(3) 27160524
 Fax : +60(3) 27160525

MELAKA
 No. 12 Jalan Abadi 3
 Taman Malim Jaya
 75250 Melaka
 Tel : +60(6) 337 6593 / 336 5435

JOHOR BAHRU
 No. 4, Jalan Asas
 Larkin Industrial Estate
 80350 Johor Bahru, Johor
 Tel : +60(7) 232 0412
 Fax : +60(7) 238 6208

KUANTAN
 PT64561, Jalan IM 3/15
 Kawasan Perindustrian Ringan
 Bandar Indera Mahkota
 25200 Kuantan, Pahang
 Tel : +60(9) 573 7831 / 8373
 Fax : +60(9) 573 3484

KOTA BHARU
 Lot PT 1453 & 1454
 Kawasan Perindustrian Pengkalan
 Chepa 2
 Seksyen 39, Kemumin
 16100 Kota Bharu, Kelantan
 Tel : +60(9) 773 8831 / 8873
 Fax : +60(9) 773 8968

KOTA KINABALU
 Lot L180-101/000
 Block A, HSK Industrial Centre
 Jalan Bundusan
 Mile 5 Off Jalan Penampang
 89500 Kota Kinabalu, Sabah
 Tel : +60(88) 722 628 / 629
 Fax : +60(88) 722 630

KUCHING
 No. 19-A, Lot 3439, Block 12
 Vista Industrial Park
 Muara Tebas Land District
 Off Jalan Setia Raja
 93350 Kuching, Sarawak
 Tel : +60(82) 362 112

Analysis of Shareholdings

as at 17 February 2022

The total number of issued shares of the Company stands at 285,530,000 ordinary shares, with voting right of one (1) vote per ordinary share.

Distribution of Shareholdings

Size of Shareholdings	No. of Shareholders	% of Shareholders	No. of Shares Held	% of Issued Shares
Less than 100	912	5.43	9,980	0.00
100 - 1,000	8,447	50.27	4,923,535	1.72
1,001 - 10,000	6,238	37.12	23,007,267	8.06
10,001 - 100,000	1,084	6.45	29,825,576	10.45
100,001 - 14,276,499 *	121	0.72	84,998,542	29.77
14,276,500 and above **	1	0.01	142,765,100	50.00
Total	16,803	100.00	285,530,000	100.00

Notes:

* Less than 5% of issued shares

** 5% and above of issued shares

Category of Shareholders

Category of Shareholders	No. of Shareholders	% of Shareholders	No. of Shares Held	% of Issued Shares
1. Individual	12,999	77.37	62,762,062	21.98
2. Body Corporate				
a. Banks/Finance Companies	6	0.04	159,296	0.06
b. Investments Trusts/Foundations/Charities	2	0.01	8,888	0.00
c. Industrial and Commercial Companies	204	1.21	148,163,989	51.89
3. Government Agencies/Institutions	1	0.01	2,548	0.00
4. Nominees	3,589	21.36	74,432,216	26.07
5. Others	2	0.00	1,001	0.00
6. Trustee	0	0.00	0	0.00
Total	16,803	100.00	285,530,000	100.00

Analysis of Shareholdings

as at 17 February 2022

Substantial Shareholders

(As per Register of Substantial Shareholders)

No.	Name	Direct Interest		Indirect Interest	
		No. of Shares Held	% of Shareholders	No. of Shares Held	% of Shareholders
1.	British American Tobacco p.l.c.	-	-	142,765,100	50.00
2.	British American Tobacco (1998) Limited	-	-	142,765,100	50.00
3.	British American Tobacco (2012) Limited	-	-	142,765,100	50.00
4.	British American Tobacco (2009) Limited	-	-	142,765,100	50.00
5.	Weston (2009) Limited	-	-	142,765,100	50.00
6.	Weston Investment Company Limited	-	-	142,765,100	50.00
7.	British American Tobacco International (Holdings) B.V.	-	-	142,765,100	50.00
8.	British American Tobacco Holdings (The Netherlands) B.V.	-	-	142,765,100	50.00
9.	Allen & Ginter (UK) Limited	-	-	142,765,100	50.00
10.	Chelwood Trading & Investment Company Limited	-	-	142,765,100	50.00
11.	B.A.T. Industries p.l.c.	-	-	142,765,100	50.00
12.	British-American Tobacco (Holdings) Limited	-	-	142,765,100	50.00
13.	British American Tobacco Exports Limited	-	-	142,765,100	50.00
14.	British American Tobacco Holdings (Malaysia) B.V.	142,765,100	50.00	-	-

Directors' Direct and Indirect Interests in the Company and its Related Corporations

(As per Register of Directors' Shareholdings)

Interest in the Company	No.	Name	Number of ordinary shares			
			Direct Interest		Indirect Interest	
			No. of Shares Held	% of Issued Shares	No. of Shares Held	% of Issued Shares
	1.	Dato' Chan Choon Ngai	1,000	0.00*	-	-
	2.	Datuk Lee Oi Kuan	100	0.00*	-	-

Interest in the Ultimate Holding Company British American Tobacco p.l.c.	No.	Name	Number of ordinary shares			
			Direct Interest		Indirect Interest	
			No. of Shares Held	% of Issued Shares	No. of Shares Held	% of Issued Shares
	1.	Datuk Lee Oi Kuan	32,848	0.00*	-	-
	2.	Nedal Louay Salem	45,000	0.00*	-	-

Note:

* Less than 0.01%

Analysis of Shareholdings

as at 17 February 2022

Directors' Direct and Indirect Interests in the Company and its Related Corporations

(As per Register of Directors' Shareholdings)

Interest in the Ultimate Holding Company British American Tobacco p.l.c.		Number of ordinary shares
Deferred Share Bonus Scheme & International Share Reward Scheme		Direct Interest
No.	Name	No. of Shares Held
1.	Nedal Louay Salem	5,687
2.	Anthony Yong Mun Seng	2,715

Interest in the Ultimate Holding Company British American Tobacco p.l.c.		Number of options in ordinary shares
Long Term Incentive Plan		Direct Interest
No.	Name	No. of Options Held
1.	Nedal Louay Salem	
	LTIP (28 March 2029)	2,796
	LTIP (30 March 2030)	1,986
	LTIP (29 March 2031)	1,942

Save as disclosed above, none of the Directors of the Company has any interest direct or indirect in the Company and its related corporations.

List of Top Thirty Largest Shareholders

(without aggregating the securities from different securities accounts belonging to the same Registered Holder)

No.	Name	No. of Shares Held	% of Issued Shares
1.	British American Tobacco Holdings (Malaysia) B.V.	142,765,100	50.00
2.	Citigroup Nominees (Tempatan) Sdn Bhd UBS AG Singapore for Tan Yu Yeh	6,529,100	2.29
3.	Tan Yu Wei	5,105,100	1.79
4.	Cartaban Nominees (Asing) Sdn Bhd Exempt An For State Street Bank & Trust Company (West CLT OD67)	4,652,474	1.63
5.	DB (Malaysia) Nominee (Tempatan) Sendirian Berhad Deutsche Trustees Malaysia Berhad For Hong Leong Value Fund	4,300,000	1.51
6.	Maybank Nominees (Tempatan) Sdn Bhd Pledged Securities Account for Douglas Cheng Heng Lee	4,178,500	1.46
7.	HSBC Nominees (Asing) Sdn Bhd BBH and Co Boston for PRUSIK Asian Equity Income Fund (PRUSIK U FD PLC)	3,408,600	1.19
8.	Kam Loong Mining Sdn Bhd	2,612,000	0.91
9.	Tan Yu Yeh	2,420,000	0.85

Analysis of Shareholdings

as at 17 February 2022

List of Top Thirty Largest Shareholders

(without aggregating the securities from different securities accounts belonging to the same Registered Holder)

No.	Name	No. of Shares Held	% of Issued Shares
10.	Citigroup Nominees (Tempatan) Sdn Bhd Great Eastern Life Assurance (Malaysia) Berhad (Par 1)	2,410,700	0.84
11.	Yap Ah Fatt	2,355,000	0.82
12.	HSBC Nominees (Asing) Sdn Bhd JPMCB NA for Vanguard Total International Stock Index Fund	2,135,469	0.75
13.	CIMB Group Nominees (Tempatan) Sdn Bhd CIMB Bank Berhad (EDP 2)	2,129,300	0.75
14.	HSBC Nominees (Asing) Sdn Bhd JPMCB NA for Vanguard Emerging Markets Stock Index Fund	1,929,034	0.68
15.	Cartaban Nominees (Asing) Sdn Bhd State Street London Fund OD80 for iShares V Public Limited Company	1,850,947	0.65
16.	Wong Chuan Keong	1,607,100	0.56
17.	DB (Malaysia) Nominee (Tempatan) Sendirian Berhad Deutsche Trustees Malaysia Berhad For Hong Leong Balanced Fund	1,580,000	0.55
18.	Toh Ean Hai	1,550,000	0.54
19.	UOB Kay Hian Nominees (Asing) Sdn Bhd Exempt An for UOB Kay Hian Pte Ltd (A/C Clients)	1,419,774	0.50
20.	CIMSEC Nominees (Tempatan) Sdn Bhd CIMB for Douglas Cheng Heng Lee (PB)	1,351,500	0.47
21.	Foo Khen Ling	1,180,000	0.41
22.	Cartaban Nominees (Asing) Sdn Bhd SSBT Fund WTAU For Wisdomtree Emerging Markets Smallcap Dividend Fund	998,300	0.35
23.	Citigroup Nominees (Tempatan) Sdn Bhd Great Eastern Life Assurance (Malaysia) Berhad (SHF)	980,000	0.34
24.	CIMSEC Nominees (Tempatan) Sdn Bhd Exempt An For CIMB Commerce Trustee Berhad For Pearson Trust (PB)	975,200	0.34
25.	Citigroup Nominees (Asing) Sdn Bhd Exempt An For UBS AG Singapore (Foreign)	959,600	0.34
26.	HSBC Nominees (Tempatan) Sdn Bhd Exempt An For Credit Suisse (SG BR-TST-Temp)	895,500	0.31
27.	Chong Ah Suan	878,000	0.31
28.	Woon Chen Chin	800,000	0.28
29.	CIMB Group Nominees (Tempatan) Sdn Bhd Hong Leong Asset Management Bhd For Hong Leong Assurance Berhad (LP Fund ED102)	750,000	0.26
30.	Cartaban Nominees (Asing) Sdn Bhd Exempt An For Barclays Capital Securities Ltd (SBL/PB)	633,500	0.22
Total		205,339,798	71.92

Notice of Annual General Meeting

NOTICE IS HEREBY GIVEN that the Sixty-First (61st) Annual General Meeting (**AGM** or **Meeting**) of British American Tobacco (Malaysia) Berhad (the **Company**) will be held fully virtually at the broadcast venue, Infinity Room, Level 16, Guoco Tower, Damansara City, No. 6, Jalan Damanlela, Bukit Damansara, 50490 Kuala Lumpur and via the TIH Online website at <https://tiah.online> on **Wednesday, 27 April 2022 at 9.30 a.m.** for the following purposes:

AGENDA

AS ORDINARY BUSINESS

1. To receive the Audited Financial Statements for the financial year ended 31 December 2021 and the Reports of the Directors and Auditors thereon.

Please refer to Explanatory Note 9 (Note A)

2. To re-elect Datuk Christine Lee Oi Kuan who retires as a Director pursuant to Clauses 109.1 and 109.2 of the Constitution of the Company.

Ordinary Resolution 1

Please refer to Explanatory Note 9

3. To re-elect the following Directors, each whom retires pursuant to Clause 115 of the Constitution of the Company:

- i. Norliza binti Kamaruddin

Ordinary Resolution 2

- ii. Nedal Louay Salem

Ordinary Resolution 3

- iii. Anthony Yong Mun Seng

Ordinary Resolution 4

Please refer to Explanatory Note 9

4. To approve the payment of Directors' fees and benefits to the Non-Executive Directors up to an amount of RM1,000,000.00 with effect from the 61st AGM of the Company until the next AGM of the Company.

Ordinary Resolution 5

Please refer to Explanatory Note 9

5. To re-appoint KPMG PLT as the Auditors of the Company for the financial year ending 31 December 2022 and to authorise the Directors to fix their remuneration.

Ordinary Resolution 6

AS SPECIAL BUSINESS

To consider and if thought fit, to pass the following Ordinary Resolutions:

6. **Proposed Renewal of Shareholders' Mandate for the Company and its Subsidiaries to enter into Recurrent Related Party Transactions of a Revenue or Trading Nature with Related Parties (Proposed Renewal of the Recurrent RPTs Mandate)**

Ordinary Resolution 7

"THAT, the Recurrent RPTs Mandate (as defined in the Circular to Shareholders dated 29 March 2022) granted by the shareholders of the Company authorising the Company and/or its Subsidiaries (**British American Tobacco Malaysia Group**) to enter into recurrent related party transactions of a revenue or trading nature (**Recurrent RPTs**) with Related Parties (as defined in the Main Market Listing Requirements of Bursa Malaysia Securities Berhad) as set out in Paragraph 2.2 and Appendix II of the

Notice of Annual General Meeting

Circular to Shareholders dated 29 March 2022 which are necessary for the British American Tobacco Malaysia Group's day-to-day operations, be and is hereby renewed and approved, provided that:

- i. the transactions are in the ordinary course of business and are on normal commercial terms which are not more favourable to the Related Parties than those generally available to the public and are not to detriment the minority shareholders to the Company; and
- ii. disclosure of the aggregate value of the transactions conducted during a financial year will be made in the annual report for the said financial year,

AND THAT the authority conferred by such renewed mandate shall continue to be in force until:

- i. the conclusion of the next AGM of the Company following the AGM at which the Proposed Renewal of the Recurrent RPTs Mandate is approved, at which time it will lapse, unless by a resolution passed at the next AGM the mandate is again renewed;
- ii. the expiration of the period within which the next AGM of the Company after the forthcoming AGM is required to be held pursuant to Section 340(2) of the Companies Act, 2016 (but must not extend to such extension as may be allowed pursuant to Section 340(4) of the Companies Act, 2016); or
- iii. revoked or varied by resolution passed by the shareholders in general meeting,

whichever is earlier;

AND THAT the Directors of the Company be and are hereby authorised to complete and do all such acts and things as they may consider expedient or necessary in the best interest of the Company (including executing all such documents as may be required) to give effect to the Proposed Renewal of the RPTs Mandate.

AND FURTHER THAT, as the estimated values of the Recurrent RPTs given in Appendix II of the Circular to Shareholders dated 29 March 2022 are provisional in nature, the Directors of the Company or any of them be and are hereby authorised to agree to the actual amount or amounts thereof, provided that such amount or amounts comply with the review procedures set out in Paragraph 2.3 of the Circular to Shareholders dated 29 March 2022."

Please refer to Explanatory Note 10

7. To transact any other business of which due notice shall have been given.

FURTHER NOTICE IS HEREBY GIVEN THAT for the purpose of determining a member who shall be entitled to attend the 61st AGM, the Company shall be requesting Bursa Malaysia Depository Sdn Bhd in accordance with Clause 71 of the Constitution and Section 34(1) of the Securities Industry (Central Depositories) Act 1991, to issue a General Meeting Record of Depositors as at **15 April 2022** shall be entitled to attend the said Meeting or appoint proxies to attend and/or vote on his/her behalf.

By Order of the Board

SHARIFAH THAHERAH SYED TAHA

SSM PC No: 202008004234

MACS01735

Company Secretary

Kuala Lumpur
29 March 2022

Notice of Annual General Meeting

Notes:

1. The 61st AGM will be conducted fully virtual through live streaming and online voting using Remote Participation and Voting (**RPV**) facilities which are available on Tricor Investor & Issuing House Services Sdn Bhd's TIH Online website at <https://tiah.online>. Please refer to the Administrative Details of the 61st AGM in order to register, participate and vote remotely via the RPV facilities.
2. The broadcast venue of the 61st AGM is strictly for the purpose of complying with Section 327(2) of the Companies Act 2016 which requires the Chairman of the Meeting to be present at the main venue. **No members/proxy(ies) will be allowed to be physically present at the broadcast venue.** If a member is not able to attend the Meeting via RPV facilities, he/she can appoint the Chairman of the Meeting as his/her proxy and indicate the voting instructions in the proxy form.
3. A member entitled to attend and vote remotely at the Meeting is entitled to appoint not more than two (2) proxies to attend and vote remotely on his/her behalf. Where a member appoints two (2) proxies, the appointment shall be invalid unless the percentage of the shareholding to be represented by each proxy is specified. A proxy need not be a member of the Company.
4. Where a member of the Company is an exempt authorised nominee which holds ordinary shares in the Company for multiple beneficial owners in one securities account (**Omnibus Account**), there is no limit to the number of proxies which the exempt authorised nominees may appoint in respect of each Omnibus Account it holds. An exempt authorised nominee refers to an authorised nominee defined under the Securities Industry (Central Depositories) Act a991 ("Central Depositories Act") which is exempted from compliance with the provisions of subsection 25A(1) of the Central Depositories Act.
5. The instrument appointing a proxy(ies) must be under the hand of the appointer or of his/her attorney duly authorised in writing. Where the instrument appointing a proxy(ies) is executed by a corporation, it must be executed either under its seal or under the hand of any officer or attorney duly authorised.
6. If there is no indication as to how a member wishes his/her vote to be cast, the proxy will vote or abstain from voting at his/her discretion. In the event a member duly executes the proxy form but does not name any proxy, such member shall be deemed to have appointed the Chairman of the Meeting as his/her proxy.
7. The proxy form must be duly executed and deposited at the Share Registrar of the Company at Tricor Investor & Issuing House Services Sdn Bhd, Unit 32-01, Level 32, Tower A, Vertical Business Suite, Avenue 3, Bangsar South, No. 8, Jalan Kerinchi, 59200 Kuala Lumpur not less than forty-eight (48) hours before the time appointed for the taking of poll or **no later than 25 April 2022 at 9.30 a.m.** The proxy appointment may also be lodged electronically via Tricor's TIH Online website at <https://tiah.online>.
8. Pursuant to Paragraph 8.29A(1) of the Main Market Listing Requirements of Bursa Malaysia Securities Berhad, all the Resolutions set out in this Notice will be put to vote by poll.
9. **Explanatory Notes on Ordinary Business**

Note A

The Audited Financial Statements for the financial year ended 31 December 2021 under Agenda item 1 are meant for discussion only in accordance with the provision of Section 340(1)(a) of the Companies Act, 2016, and it does not require a formal approval of the shareholders. Hence, this agenda item will not be put forward for voting.

Ordinary Resolution 1 – To re-elect Datuk Christine Lee Oi Kuan as a Director

Clause 109.1 of the Constitution of the Company states that one-third (1/3) of the Directors shall retire from office and be eligible for re-election. Clause 109.2 further states that the Directors to retire in every year shall be those who have been longest in office since their last election.

Datuk Christine Lee Oi Kuan being eligible, has offered herself for re-election at the 61st AGM.

Notice of Annual General Meeting

The Nomination and Remuneration Committee had assessed Datuk Christine Lee Oi Kuan and considered the Director's performance and contribution based on the Self and Peer assessment, her contribution to the Board deliberations, time commitment and her ability to act in the best interests of the Company in decision-making. The Nomination and Remuneration Committee also assessed Datuk Christine Lee Oi Kuan's consultancy services with the Company for period from 1 May 2021 to 30 September 2021 and an extended period from 1 October 2021 to 30 June 2022 does not impaired her ability to act in the best interest of the Company. The Board has endorsed the Nomination and Remuneration Committee's recommendation subject to the shareholders' approval at this AGM.

Ordinary Resolutions 2, 3 and 4 - To re-elect Norliza binti Kamaruddin, Nedal Louay Salem and Anthony Yong Mun Seng as Directors

Clause 115 of the Constitution of the Company states that the Directors shall have the power to appoint any person to be a Director, either fill a casual vacancy or as an addition to the existing Directors and any Director so appointed shall hold office only until the next following annual general meeting, and shall then be eligible for re-election.

Norliza binti Kamaruddin, Nedal Louay Salem and Anthony Yong Mun Seng being eligible, has offered themselves for re-election as Directors at the 61st AGM.

The Nomination and Remuneration Committee had assessed Norliza binti Kamaruddin and considered based on the Director's performance and contribution based on the Self and Peer assessment, her contribution to the Board deliberations, time commitment and her ability to act in the best interests of the Company in decision-making. The Nomination and Remuneration Committee also reviewed and assessed Norliza binti Kamaruddin's independence in accordance with the Main Market Listing Requirements of Bursa Malaysia Securities Berhad. The Board had endorsed the Nomination and Remuneration Committee's recommendation subject to the shareholders' approval at this AGM.

The Nomination and Remuneration Committee had assessed Nedal Louay Salem and considered the Director's performance and contribution based on the Self and Peer assessment, his contribution to the Board deliberations, time commitment and his ability to act in the best interests of the Company in decision-making. The Board had endorsed the Nomination and Remuneration Committee's recommendation subject to the shareholders' approval at this AGM.

The Nomination and Remuneration Committee had assessed Anthony Yong Mun Seng and considered the Director's performance and contribution based on the Self and Peer assessment, his contribution to the Board deliberations, time commitment and his ability to act in the best interests of the Company in decision-making. The Board had endorsed the Nomination and Remuneration Committee's recommendation subject to the shareholders' approval at this AGM.

Ordinary Resolution 5 – Payment of Directors' fees and benefits to the Non-Executive Directors

The Company is seeking shareholders' approval for the payment of Non-Executive Directors' fees and benefits up to RM1,000,000.00 with effect from the 61st AGM of the Company until the conclusion of the next AGM of the Company in 2023 pursuant to Section 230(1) of the Companies Act, 2016.

The details of the Non-Executive Directors remuneration structure adopted by the Company are as follows:

Structure	Chairman		Member	
	Fee (RM per annum)	Allowance (RM per annum)	Fee (RM per annum)	Meeting Allowance (RM per meeting)
Board of Directors	345,000	154,092	100,000	-
Audit Committee	10,000	-	-	1,000
Nomination and Remuneration Committee	-	-	-	1,000
Risk Management Committee	10,000	-	-	1,000
Sustainability Committee	10,000	-	-	1,000

Notice of Annual General Meeting

The Non-Executive Directors who are shareholders of the Company will abstain from voting on Resolution 5.

Ordinary Resolution 6 – Re-appointment of Auditors

The Audit Committee had undertaken an annual assessment of the external auditors, KPMG PLT including independence, scope of audit, audit fee, expert and experience, performance based on annual audit scope and planning. The Audit Committee was satisfied with the suitability of KPMG PLT on the quality of audit, performance, competency and sufficiency of resources the external audit team provided to the Group.

10. Explanatory Notes on Special Business

Ordinary Resolution 7 – Proposed Renewal of the Recurrent RPTs Mandate

The proposed resolution, if passed, will enable British American Tobacco Malaysia Group to enter into the recurrent related party transactions of a revenue or trading nature which are necessary for the British American Tobacco Malaysia Group's day-to-day operations, subject to the transactions being in the ordinary course of business and on normal commercial terms which are not more favourable to the related parties than those generally available to the public and are not to the detriment of the minority shareholders of the Company.

Further information on the Proposed Renewal of the Recurrent RPTs Mandate is set out in the Circular to Shareholders dated 29 March 2022, which is available at the Company's corporate website at www.batmalaysia.com.

11. Personal Data Privacy

By lodging of a completed proxy form to the Company and the Share Registrar (as the case may be) for appointing a proxy(ies) and/or representative(s) to attend and vote remotely at the 61st AGM and any adjournment therefore, a shareholder of the Company and the Share Registrar is hereby:

- i. consenting to the collection, use and disclosure of the member's personal data by the Company and to Share Registrar (as the case may be) for the purpose of the processing and administration by the Company and the Share Registrar (as the case may be) of proxy(ies) and representative(s) appointed for the 61st AGM (including any adjournment thereof), and in order for the Company and the Share Registrar (as the case may be) to comply with any applicable laws, listing rules, regulations and/or guidelines (collectively the **Purpose**).
- ii. warranting that where the member discloses the personal data of shareholder's proxy(ies) and/or representative(s) to the Company and the Share Registrar (as the case may be), the shareholder has obtained to prior consent of such proxy(ies) and/or representative(s) for the collection, use and disclosure by the Company and the Share Registrar (as the case may be) of the personal data of such proxy(ies) and/or representative(s) for the purpose (**Warranty**); and
- iii. agreeing that the member will indemnify the Company and the Share Registrar (as the case may be) in respect of any penalties, liabilities, claims, demands, losses and damages as a result of the Shareholder's breach of Warranty.

For the purpose of the paragraph, "personal data" shall have the same meaning given in section 4 of Personal Data Protection Act 2010.

Statement Accompanying Notice of the 61st AGM

(pursuant to Paragraph 8.27(2) of the Main Market Listing Requirement of Bursa Malaysia Securities Berhad)

There are no Directors standing for election at the forthcoming 61st AGM.

Administrative Details

For British American Tobacco (Malaysia) Berhad
Sixty-First (61st) Annual General Meeting (AGM)

Date : Wednesday, 27 April 2022
Time : 9.30 a.m.
Broadcast venue : Infinity Room, Level 16, Guoco Tower, Damansara City,
No. 6, Jalan Damanela, Bukit Damansara, 50490 Kuala Lumpur.
Meeting Platform : TIIH Online website at <https://tiih.online>

1. Public Health Preventive Measure

- The 61st AGM will be conducted fully virtually through live streaming and online remote voting using Remote Participation and Voting (**RPV**) facilities which are available on Tricor Investors & Issuing House Services Sdn Bhd's TIIH Online website at <https://tiih.online>.
- The broadcast venue of the 61st AGM is strictly for the purpose of complying with Section 327(2) of the Companies Act 2016 which requires the Chairman of the Meeting to be present at the main venue. **No members/proxy(ies) will be allowed to be physically present at the broadcast venue.**
- We **strongly encourage** you to attend the 61st AGM using the RPV facilities. You may consider appointing the Chairman of the Meeting as your proxy to attend and vote on your behalf at the 61st AGM.
- Due to the constant evolving COVID-19 situation in Malaysia, we may be required to change the arrangements of our 61st AGM at short notice. Kindly do check the Company's website or announcements for the latest updates on the status of the 61st AGM.
- The Company will continue to observe the guidelines issued by the National Security Council and the Ministry of Health, and will take the necessary precautionary measures as advised.

2. Entitlement to Participate and Vote using RPV facilities

- Only members whose names appear in the Record of Depositors as at **5.00 p.m. on 15 April 2022 (General Meeting Record of Depositors)** shall be entitled to attend, speak (in the form of real time submission of typed texts) and vote at the 61st AGM in respect of the number of shares registered in their name at that time.
- If a member wish to participate in the 61st AGM via the RPV facilities, please do not submit any proxy form. You will not be allowed to participate in the 61st AGM together with a proxy appointed by you.
- Members/proxies/corporate representatives/attorneys who wish to participate in the 61st AGM remotely using the RPV facilities, please do read and follow the procedures in Appendix A.

As the 61st AGM is a fully virtual AGM, members who are unable to participate in the 61st AGM may appoint the Chairman of the Meeting as his/her proxy and indicate the voting instructions in the proxy form.

3. Appointment of Proxy(ies) or Corporate Representative(s) or Attorney(s)

- If a member is unable to attend the 61st AGM via RPV facilities, he/she can appoint the Chairman of the Meeting as his or her proxy and indicate the voting instruction in the proxy form. The proxy form and/or documents relating to the appointment of proxy(ies) for the 61st AGM whether in hardcopy or by electronic means shall be deposited or submitted in the following manner not less than forty-eight (48) hours before the time appointed for the taking of poll or no later than **25 April 2022 at 9.30 a.m.**:
 - i. In hard copy form:
 - In the case of an appointment made in hard copy form, the proxy form must be duly executed and deposited with Tricor Investor & Issuing House Services Sdn Bhd, Unit 32-01, Level 32, Tower A, Vertical Business Suite, Avenue 3, Bangsar South, No. 8, Jalan Kerinchi, 59200 Kuala Lumpur or alternatively, the Customer Service Centre at Unit G-3, Ground Floor, Vertical Podium, Avenue 3, Bangsar South, No. 8 Jalan Kerinchi, 59200 Kuala Lumpur.

Administrative Details

For British American Tobacco (Malaysia) Berhad
Sixty-First (61st) Annual General Meeting (AGM)

- ii. By electronic form:
 - In the case of an appointment made in electronic form, the proxy form can be electronically lodged via TIIH Online. Kindly refer to the Procedures for Electronic Submission of Proxy Form in Appendix A.
- Corporate members through corporate representative (s) or nominees companies (through the beneficiary of shares held under a nominee company's Central Depository System (**CDS**) account) or attorney(s) appointed as power of attorney, who wish to appoint their proxy(ies) or the Chairman of the Meeting for the 61st AGM, shall submit their original/certificate of appointment of corporate representative or power of attorney upon request for verification whether in hardcopy or by electronic means, and shall be deposited or submitted in the following not less than forty-eight (48) hours before the time appointed for the taking of poll or no later than **25 April 2022 at 9.30 a.m.**:
 - i. In hard copy form:
 - In the case of an appointment made in hard copy form, the proxy form must be duly executed and deposited with Tricor Investor & Issuing House Services Sdn Bhd, Unit 32-01, Level 32, Tower A, Vertical Business Suite, Avenue 3, Bangsar South, No. 8, Jalan Kerinchi, 59200 Kuala Lumpur or alternatively, the Customer Service Centre at Unit G-3, Ground Floor, Vertical Podium, Avenue 3, Bangsar South, No. 8 Jalan Kerinchi, 59200 Kuala Lumpur.
 - ii. By electronic form:
 - In the case of an appointment made in electronic form, the proxy form can be electronically lodged via TIIH Online. Kindly refer to the Procedures for Electronic Submission of Proxy Form in Appendix A.

4. Voting Procedure

- Voting at the 61st AGM will be conducted on polling basis. The Company's Share Registrar, Tricor, is appointed as Poll Administrator to conduct the polling process. An Independent Scrutineer is appointed to verify and validate the results of the poll.
- Members can proceed to vote on the resolutions at any time from the commencement of the 61st AGM at 9.30 a.m. via RPV facilities and complete voting before the end of the voting session, which will be announced by the Chairman of the Meeting.

5. Pre-Meeting Submission of Questions to the Board of Directors (Board)

- The Board recognises that the 61st AGM is a valuable opportunity for the Board to engage with members. In order to enhance the efficiency of the proceedings of the 61st AGM, members may in advance, prior to the 61st AGM, submit questions to the Board via TIIH Online website at <https://tiih.online>, by selecting "**e-Services**" to login, post your questions and submit it electronically no later than **25 April 2022 at 9.30 a.m.** The Board will endeavour to address the questions received at the 61st AGM.

6. No Breakfast/Lunch Pack, Door Gift or Food Voucher

- There will be no distribution of breakfast/lunch packs, door gifts or food vouchers during the 61st AGM since the 61st AGM is being conducted on a virtual basis.

7. No recording or photography

- Strictly **NO recording or photography** of the proceedings of the 61st AGM is allowed.

Administrative Details

For British American Tobacco (Malaysia) Berhad
Sixty-First (61st) Annual General Meeting (AGM)

8. Enquiry

- If you have general queries prior to the 61st AGM, please contact the following persons during office hours i.e. from 8.30 a.m. to 5.30 p.m. (Monday to Friday):

Tricor Investor & Issuing House Services Sdn Bhd Registration No. 197101000970 (11324-H) Unit 32-01, Level 32, Tower A, Vertical Business Suite, Avenue 3, Bangsar South, No.8 Jalan Kerinchi, 59200 Kuala Lumpur, Malaysia.	General Line No.	+60(3) 27839299
	Fax No.	+60(3) 27839222
	Email	is.enquiry@my.tricorglobal.com
	Ms. Lim Lay Kiow	+60(3) 27839232 Lay.Kiow.Lim@my.tricorglobal.com
	Ms. Siti Zalina	+60(3) 27839247 Siti.Zalina@my.tricorglobal.com
	Mr. Lim Jia Jin	+60(3) 27839246 Jia.Jin.Lim@my.tricorglobal.com

Appendix A

Procedures for RPV

Shareholders, proxies or authorised representatives who wish to participate the 61st AGM of the Company using the RPV Facilities are to follow the requirements and procedures summarised below:

	Procedure	Action
BEFORE THE AGM DAY		
a.	Register as a new user with TIIH Online	<ul style="list-style-type: none"> Using your computer, access the TIIH Online website at https://tiih.online. Register as a new user under “e-Services” by selecting “Create Account by Individual Holder”. Refer to the tutorial guide on the homepage for assistance. Registration as a new user will be approved within one (1) working day and you will be notified via e-mail. If you are already a TIIH Online user, you are not required to register again. You will receive an email to notify you that the remote participation is available for registration at TIIH Online.
b.	Submit your request to attend the 61 st AGM remotely	<ul style="list-style-type: none"> Registration is open from Monday, 29 March 2022 until the day of the 61st AGM on Wednesday, 27 April 2022. Member(s)/proxy(ies)/corporate representative(s)/attorney(s) are required to pre-register their attendance for the 61st AGM to ascertain their eligibility to participate in the 61st AGM using RPV. Login with your user ID and password and select the corporate event: “(REGISTRATION) BAT Malaysia 61st AGM”. Read and agree to the “Terms and Conditions” and confirm the “Declaration”. Select “Register for Remote Participating and Voting”. Review your registration and proceed to register. The system will send an email to notify that your registration for remote participation has been received and will be verified. Upon verification of your registration against the General Meeting Record of Depositors as at 15 April 2022, the system will send you an email after 25 April 2022 to approve or reject your registration for remote participation. <p>(IMPORTANT: Please allow sufficient time for approval of new user of TIIH Online and registration for RPV).</p>

Administrative Details

For British American Tobacco (Malaysia) Berhad
Sixty-First (61st) Annual General Meeting (AGM)

	Procedure	Action
ON THE AGM DAY		
a.	Login to TIIH Online	<ul style="list-style-type: none"> Login with your user ID name and password for remote participation in the 61st AGM at any time from 8.30 a.m. (i.e. one hour) before the commencement of the meeting at 9.30 a.m. on Wednesday, 27 April 2022.
b.	Participate through live streaming	<ul style="list-style-type: none"> Select “(LIVE STREAMING MEETING) BAT Malaysia 61st AGM” to engage in the proceedings of the AGM remotely. If you have any questions for the Chairman/Board, you may use the query box to submit your question. The Chairman/Board will try to respond to the questions submitted by remote participants during the 61st AGM. In the event of time constraint, the responses will then be emailed to you at the earliest possible time, after the meeting.
c.	Online remote voting	<ul style="list-style-type: none"> Voting session commences from 9.30 a.m. on Wednesday, 27 April 2022 until a time when the Chairman of the Meeting announces the end of the voting session. Select the corporate event: “(REMOTE VOTING) BAT Malaysia 61st AGM” or if you are on the live streaming meeting page, you can select “GO TO REMOTE VOTING PAGE” button below the query box. Read and agree to the “Terms and Conditions” and confirm the “Declaration”. Select the CDS account that represents your shareholdings. Indicate your votes for the resolutions that are tabled for voting. Confirm and submit your votes.
d.	End of remote participation	<ul style="list-style-type: none"> Upon the announcement by the Chairman on the closure of the 61st AGM, the live streaming will end.

Note to users of the RPV facilities

- Should your registration for the RPV facilities be approved, Tricor will make available to you the rights to join the live streaming meeting and to vote remotely. Your login to TIIH Online on the day of the meeting will indicate your presence at the virtual meeting.
- The quality of your connection to the live streaming depends on your internet bandwidth, the stability of your internet connection, and the device you are using.
- In the event you encounter any issues with the login, connection to the live streaming meeting, or online voting, kindly contact Tricor Helpline at 011-40805616/011-40803168/011-40803169/011-40803170 or email to tiih_online@my.tricorglobal.com for assistance.

Administrative Details

For British American Tobacco (Malaysia) Berhad
Sixty-First (61st) Annual General Meeting (AGM)

Procedures for Electronic Submission of Proxy Form Appointment of Proxy(ies)/Corporate Representative (s)/Attorney(s)

	Procedure	Action
BEFORE THE AGM DAY		
APPOINTMENT OF PROXY: INDIVIDUAL SHAREHOLDERS		
a.	Register as a new user with TIIH Online	<ul style="list-style-type: none"> Using your computer, access TIIH Online website at https://tiih.online. Register as a new user under “e-Services”. Refer to the tutorial guide on the homepage for assistance. If you are already a TIIH Online user, you are not required to register again.
b.	Proceed with the submission of Proxy Form	<ul style="list-style-type: none"> After the release of the Notice of meeting by the Company, login with your user ID and password. Select the corporate event: “BAT Malaysia 61st AGM: Submission of Proxy Form”. Read and agree to the “Terms and Conditions” and confirm the “Declaration”. Insert the CDS account number and indicate the number of shares for your proxy(ies) to vote on your behalf. Appoint your proxy(ies) and insert the required details of your proxy(ies) or appoint the Chairman of the Meeting as your proxy. Indicate your voting instructions – “FOR” or “AGAINST”, otherwise your proxy(ies) will decide your vote. Review and confirm your proxy(ies) appointment. Print the Proxy Form for your record.
BEFORE THE AGM DAY		
APPOINTMENT OF PROXY : CORPORATE OR INSTITUTIONAL SHAREHOLDERS		
a.	Register as a new user with TIIH Online	<ul style="list-style-type: none"> Using your computer, access TIIH Online website at https://tiih.online. Register as a new user under “e-Services” by selecting “Create Account by Representative of Corporate Holder”. Please complete the registration form and upload the required documents. Your registration will be verified, and you will be notified by email within one (1) to two (2) working days. Proceed to activate your account with the temporary password given in the email and reset your password. <p>Note: <i>The representative of a corporate or institutional shareholder must register as a user in accordance with the above steps before he/she can subscribe to this corporate holder electronic proxy submission. Please do contact our Share Registrar if you need clarifications on the user registration.</i></p>
b.	Proceed with the submission of proxy form	<ul style="list-style-type: none"> After the release of the Notice of meeting by the Company, login TIIH Online at https://tiih.online with your user ID and password. Select the corporate event: “BAT Malaysia 61st AGM: Submission of Proxy Form”. Read and agree to the “Terms and Conditions” and confirm the “Declaration”. Proceed to download the file format for the “Submission of Proxy Form” in accordance with the Guidance Note set therein. Prepare the file for the appointment of proxies by inserting the required data. Proceed to upload the duly completed proxy appointment file. Select “Submit” to complete your submission. Print the confirmation report of your submission for your record.

PROXY FORM

BRITISH AMERICAN TOBACCO (MALAYSIA) BERHAD

[Registration No. 196101000326 (4372-M)]

(Incorporated in Malaysia)



CDS Account No.

I/We _____ (NRIC/Passport/Co. No.: _____)
(Name as per NRIC/Passport/Certificate of Incorporation in Capital Letters)

of _____
(Full Address)

being a member/members of BRITISH AMERICAN TOBACCO (MALAYSIA) BERHAD (the "Company"), do hereby appoint
_____ (NRIC/Passport No.: _____)
(Name as per NRIC/Passport in Capital Letters)

of _____
(Full Address)

and/or failing him/her _____ (NRIC/Passport No.: _____)
(Name as per NRIC/Passport in Capital Letters)

of _____
(Full Address)

or failing him/her, the Chairman of the Meeting as my/our proxy/proxies to vote for me/us and on my/our behalf at the Sixty-First (61st) Annual General Meeting (AGM or Meeting) of the Company, to be held fully virtually at the broadcast venue, **Infinity Room, Level 16, Guoco Tower, Damansara City, No. 6, Jalan Damansara, Bukit Damansara, 50490 Kuala Lumpur** and via the TIH Online website at <https://tiih.online> on **Wednesday, 27 April 2022 at 9.30 a.m.**, and at any adjournment thereof.

My/our proxy/proxies shall vote as follows:

(Please indicate with an "X" in the spaces provided below how you wish your votes to be cast on the resolutions specified in the notice of meeting. If you do not do so, your proxy/proxies will vote or abstain as he/she may think fit)

Resolutions		For	Against
Ordinary Resolution 1	Re-election of Datuk Christine Lee Oi Kuan who retires pursuant to Clauses 109.1 and 109.2 of the Constitution of the Company.		
Ordinary Resolution 2	Re-election of Norliza binti Kamaruddin who retires pursuant to Clauses 115 of the Constitution of the Company.		
Ordinary Resolution 3	Re-election of Nedal Louay Salem who retires pursuant to Clauses 115 of the Constitution of the Company.		
Ordinary Resolution 4	Re-election of Anthony Yong Mun Seng who retires pursuant to Clauses 115 of the Constitution of the Company.		
Ordinary Resolution 5	Approval of payment of Directors' fees and benefits to the Non-Executive Directors with effect from the 61 st AGM of the Company until the next AGM of the Company.		
Ordinary Resolution 6	Re-appointment of KPMG PLT as Auditors of the Company for the financial year ending 31 December 2022 and to authorise Directors to fix their remuneration.		
Ordinary Resolution 7	Proposed Renewal of the Recurrent Related Party Transactions Mandate.		

Dated this _____ day of _____ 2022

For appointment of two proxies, the percentage of shareholdings to be represented by the proxies:

	No. of Shares	Percentage
Proxy 1		
Proxy 2		
TOTAL		100

Signature(s) of member(s)/Common Seal

Notes:

1. The 61st AGM will be conducted fully virtual through live streaming and online voting using Remote Participation and Voting (**RPV**) facilities, which are available on Tricor Investor & Issuing House Services Sdn Bhd's TIH Online website at <https://tjih.online>. Please refer to the Administrative Details of the 61st AGM in order to register, participate and vote remotely via the RPV facilities.
2. The broadcast venue of the 61st AGM is strictly for the purpose of complying with Section 327(2) of the Companies Act 2016, which requires the Chairman of the Meeting to be present at the main venue. **No members/proxy(ies) will be allowed to be physically present at the broadcast venue.** If a member is not able to attend the Meeting via RPV facilities, he/she can appoint the Chairman of the Meeting as his/her proxy and indicate the voting instructions in the proxy form.
3. A member entitled to attend and vote remotely at the Meeting is entitled to appoint not more than two (2) proxies to attend and vote remotely on his/her behalf. Where a member appoints two (2) proxies, the appointment shall be invalid unless the percentage of the shareholding to be represented by each proxy is specified. A proxy need not be a member of the Company.
4. Where a member of the Company is an exempt authorised nominee that holds ordinary shares in the Company for multiple beneficial owners in one securities account (**Omnibus Account**), there is no limit to the number of proxies that the exempt authorised nominees may appoint in respect of each Omnibus Account it holds. An exempt authorised nominee refers to an authorised nominee defined under the Central Depositories Act, which is exempted from compliance with the provisions of subsection 25A(1) of the Central Depositories Act.

5. The instrument appointing a proxy(ies) must be under the hand of the appointer or of his/her attorney duly authorised in writing. Where the instrument appointing a proxy(ies) is executed by a corporation, it must be executed either under its seal or under the hand of any officer or attorney duly authorised.
6. If there is no indication as to how a member wishes his/her vote to be cast, the proxy will vote or abstain from voting at his/her discretion. In the event a member duly executes the proxy form but does not name any proxy, such member shall be deemed to have appointed the Chairman of the Meeting as his/her proxy.
7. The proxy form must be duly executed and deposited at the Registrar of Company at Tricor Investor & Issuing House Services Sdn Bhd, Unit 32-01, Level 32, Tower A, Vertical Business Suite, Avenue 3, Bangsar South, No. 8, Jalan Kerinchi, 59200 Kuala Lumpur, not less than forty-eight (48) hours before the time appointed for the taking of poll or **no later than 25 April 2022 at 9.30 a.m.** The proxy appointment may also be lodged electronically via TIH Online website at <https://tjih.online>.

Pursuant to Paragraph 8.29A(1) of the Main Market Listing Requirements of Bursa Malaysia Securities Berhad, all the Resolutions set out in this Notice will be put to vote by poll.

8. For the purpose of determining a member who shall be entitled to attend the 61st AGM, the Company shall be requesting Bursa Malaysia Depository Sdn Bhd in accordance with Clause 71 of the Constitution and Section 34(1) of the Securities Industry (Central Depositories) Act 1991, to issue a General Meeting Record of Depositors as at 15 April 2022 shall be entitled to attend the said Meeting or appoint proxies to attend and/or vote on his/her behalf.

Please refer to the personal data privacy terms set out in the Notice of the 61st AGM dated 29 March 2022.

Please fold here to seal

Affix postage
stamp

The Share Registrar
British American Tobacco (Malaysia) Berhad
[Registration No. 196101000326 (4372-M)]
c/o Tricor Investor & Issuing House Services Sdn Bhd
[Registration No. 197101000970 (11324-H)]
Unit 32-01, Level 32, Tower A,
Vertical Business Suite, Avenue 3, Bangsar South,
No. 8, Jalan Kerinchi, 59200 Kuala Lumpur, Malaysia.

Please fold here to seal



British American Tobacco (Malaysia) Berhad
[Registration No. 196101000326 (4372-M)]

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50490 Kuala Lumpur
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