

# Sustainability

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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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# 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 12<sup>th</sup> 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.

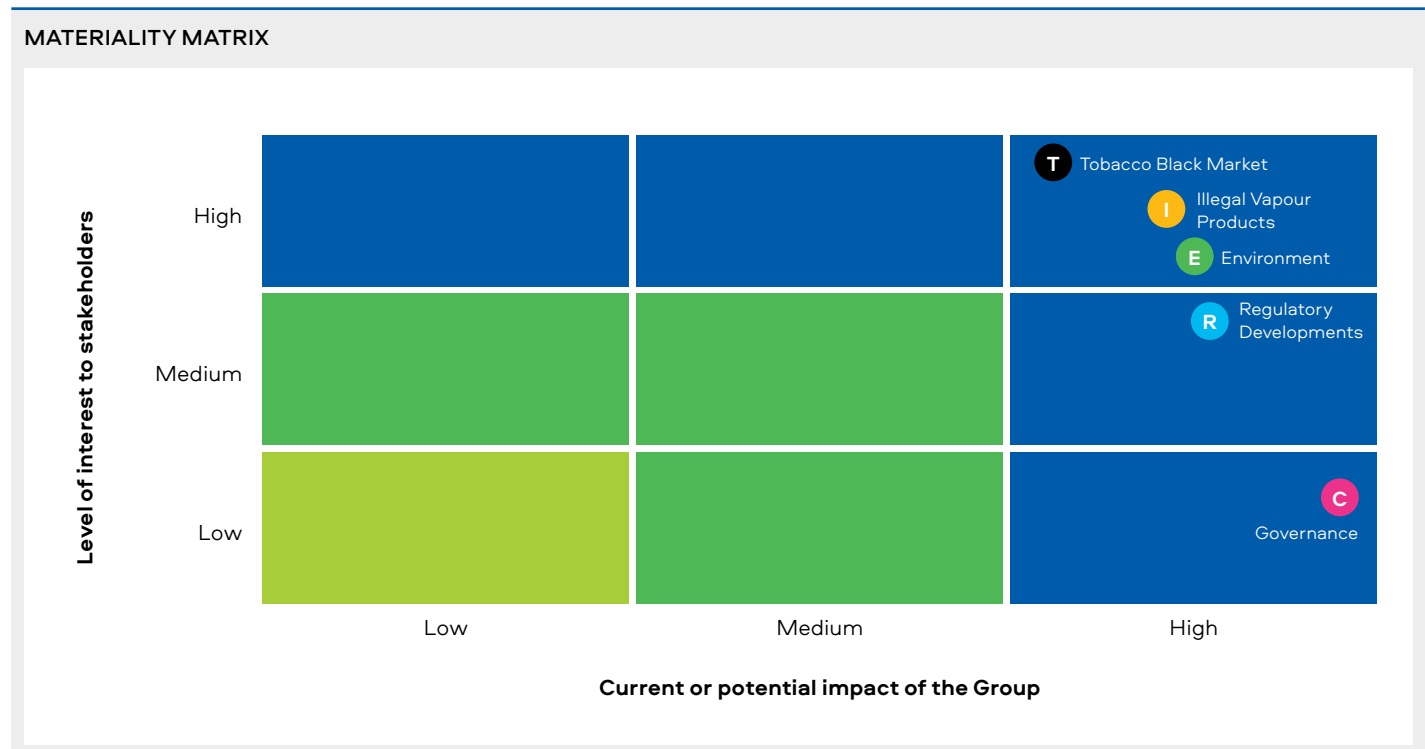
For more information on BAT Malaysia's sustainability governance and the Sustainability Committee, refer to Commitment to Strong Governance in this Report.

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

# 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.



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

| Renewable Energy  | Fuel Efficiency & CO <sub>2</sub> Emissions  | Eliminating Unnecessary Single-Use Plastics (SUP)   | Zero Waste to Landfill  |
|---|--|---|---|
| <b>Target:</b><br><b>30 PERCENT RENEWABLE ENERGY BY 2025</b> <ul style="list-style-type: none"> <li>● Investment on solar power system to generate renewable energy on-site for factory and warehouse operations</li> <li>● Investment to support renewable energy projects within Malaysia managed by the i-REC Standard Foundation</li> </ul> | <b>Target:</b><br><b>CARBON NEUTRAL BY 2030</b> <ul style="list-style-type: none"> <li>● Transforming the entire company car fleet to hybrid or EEV (energy efficient vehicles) models</li> <li>● Collaborating with renowned OEM for the use of fully electrical vehicles</li> <li>● Partnering with Shell Malaysia on various carbon neutral forestry campaigns</li> </ul> | <b>Target:</b><br><b>ELIMINATE UNNECESSARY SUP PACKAGING BY 2025</b> <ul style="list-style-type: none"> <li>● Alternative packaging materials being developed for implementation in phases</li> </ul> | <b>Target:</b><br><b>ZERO WASTE TO LANDFILL BY 2025</b> <ul style="list-style-type: none"> <li>● Collaborate with the Department of Environment (DoE) on the management of non-recyclable waste for energy recovery</li> <li>● Collaborating with Business Partners on the reprocessing of food waste as animal feed</li> </ul> |

## 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.

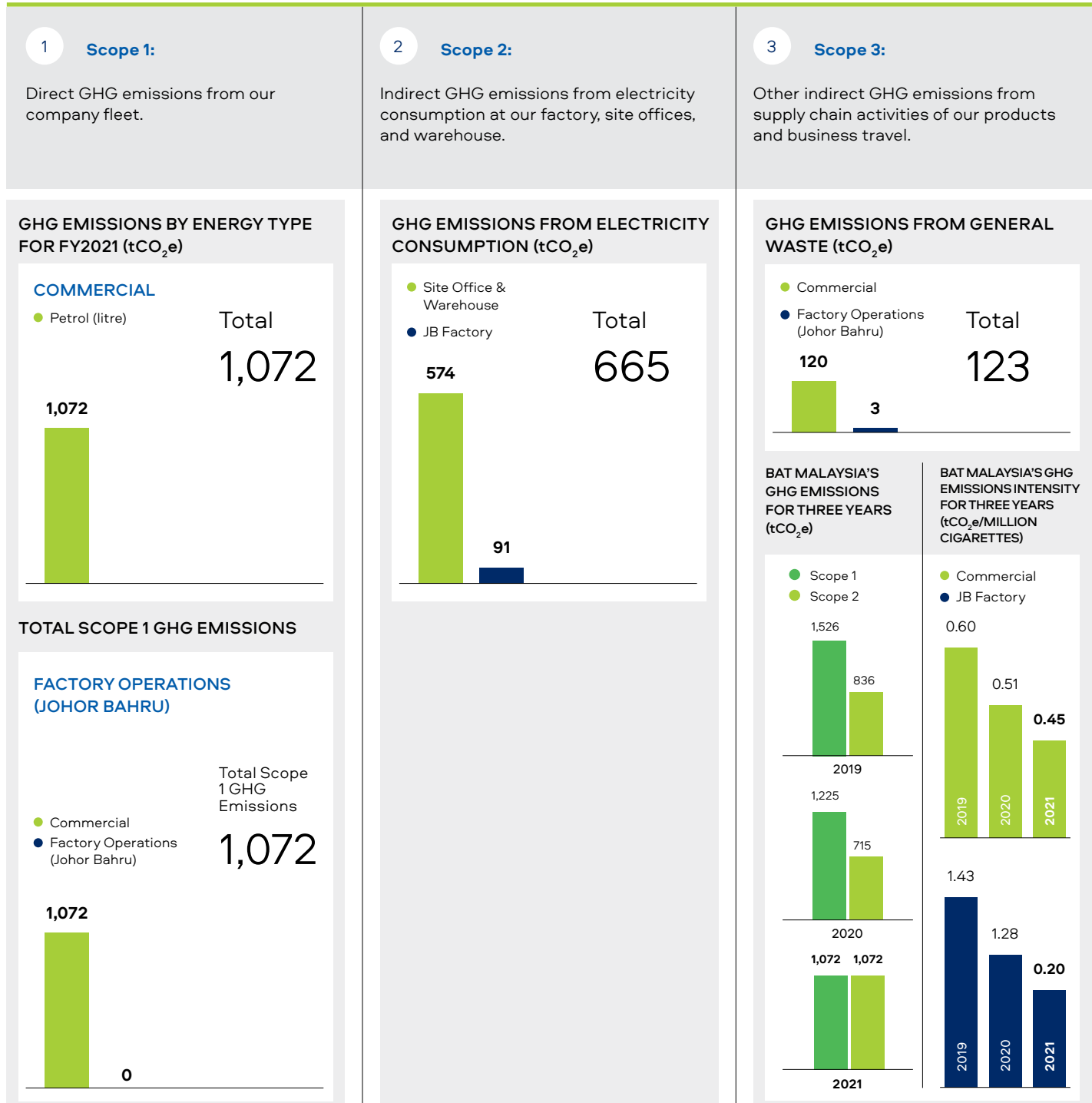
**In 2021, our factory operations in Johor Bahru achieved carbon neutrality.**



## 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.

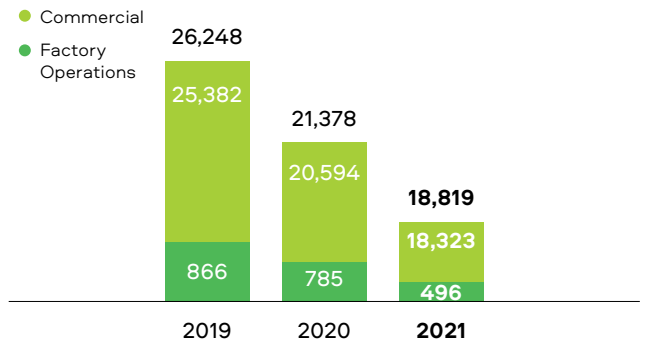
➞ For more information on telematics, please refer to Occupational Safety and Health on page 60.



## 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.

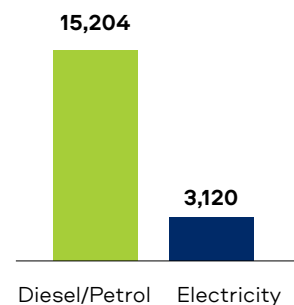
Normalised energy for factory operations is 8.167 gigajoules/million cigarettes equivalent.

## ENERGY CONSUMPTION BY SOURCE FOR FY2021

## NON-RENEWABLE SOURCES

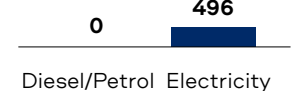
## Commercial

Total 18,324GJ

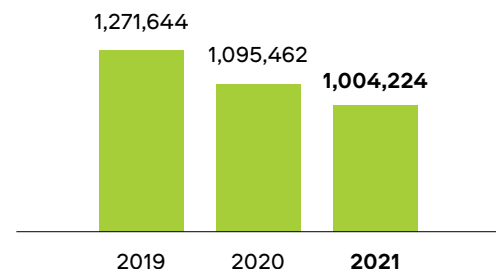


## Factory Operations (Johor Bahru)

Total 496GJ



## 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 m<sup>3</sup> – 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.

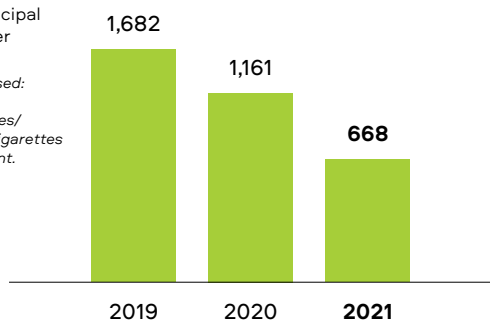
## Environment

WATER WITHDRAWAL BY SOURCE FOR THREE YEARS (m<sup>3</sup>)

## COMMERCIAL

● Municipal Water

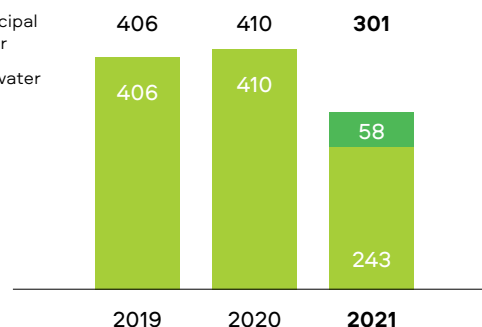
*Normalised:  
0.0003  
megalitres/  
million cigarettes  
equivalent.*



## FACTORY OPERATIONS (JOHOR BAHRU)

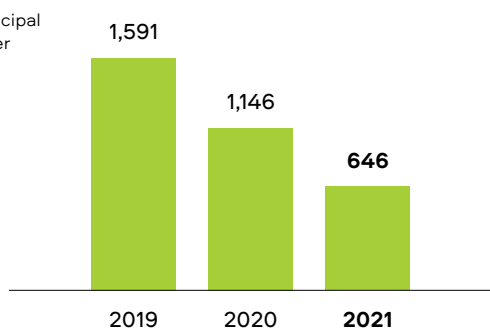
● Municipal Water

● Rainwater

WATER DISCHARGE BY DESTINATION (m<sup>3</sup>)

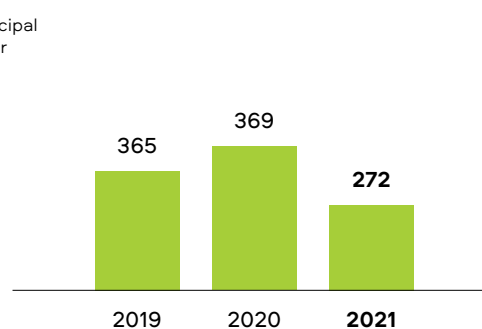
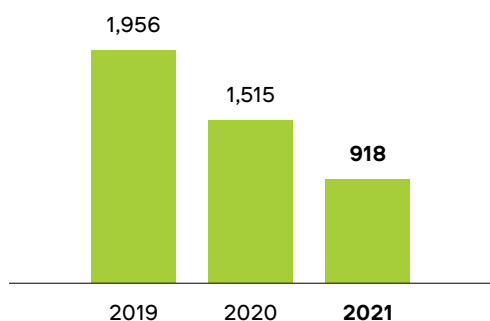
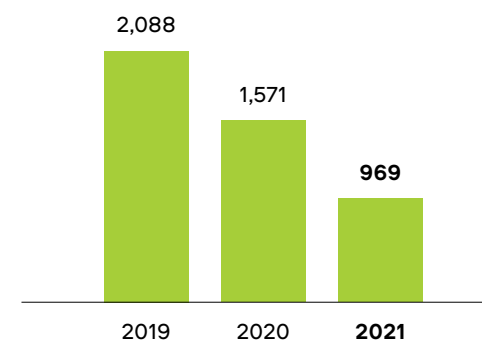
## COMMERCIAL

● Municipal Water



## FACTORY OPERATIONS (JOHOR BAHRU)

● Municipal Water

WATER DISCHARGE FOR THREE YEARS (m<sup>3</sup>)WATER CONSUMPTION FOR THREE YEARS (m<sup>3</sup>)



## 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 &amp; CLINICAL BIOHAZARD WASTE DISPOSAL AWARENESS



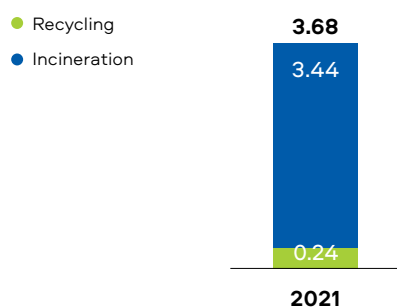
## Environment

### 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.

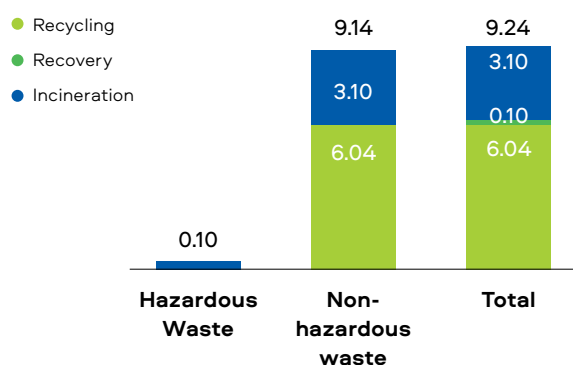
#### WASTE BY TYPE AND DISPOSAL FOR FY2021 (TONNES)

##### COMMERCIAL – NON-HAZARDOUS WASTE (TONNES)

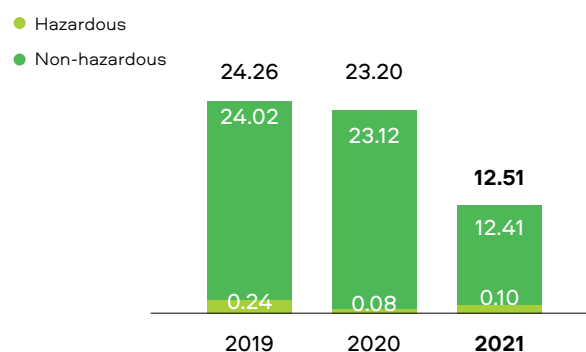


There was no hazardous waste under commercial.

##### 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.



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.



**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.



**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.



**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 NO. OF  
TRAINING HOURS

6,695



AVERAGE TRAINING  
HOURS PER EMPLOYEE

17.21

## TOTAL TRAINING HOURS BY EMPLOYEE CATEGORY

TOTAL NO. OF  
TRAINING HOURS

3,338

3,046

296

AVERAGE TRAINING  
HOURS PER EMPLOYEE

14

23

25

● Non-Management ● Management ● Senior Management

## Social

## 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.

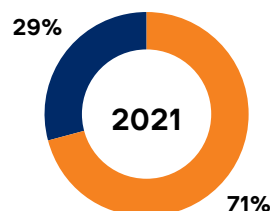
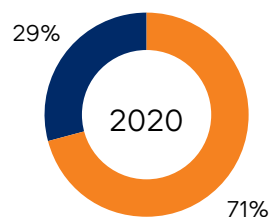
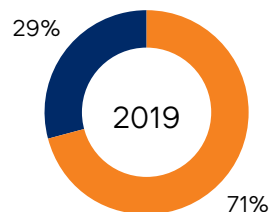


For more information on the Group's SoBC and Group Whistleblowing Procedure, please refer to the Corporate Governance Overview Statement on page 91.

## Diversity on Our Board

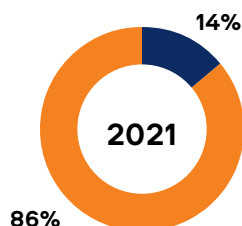
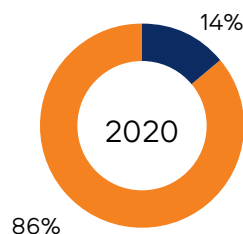
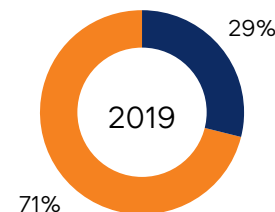
Driven by the D&I strategy, we strive to promote female leadership across the organisation. Exemplifying the value we place on D&I, diversity at BAT Malaysia starts at the top, where 29% of our Board members are women.

PERCENTAGE OF BOARD MEMBERS BY GENDER (%)



Male Female

PERCENTAGE OF BOARD MEMBERS BY AGE GROUP (%)

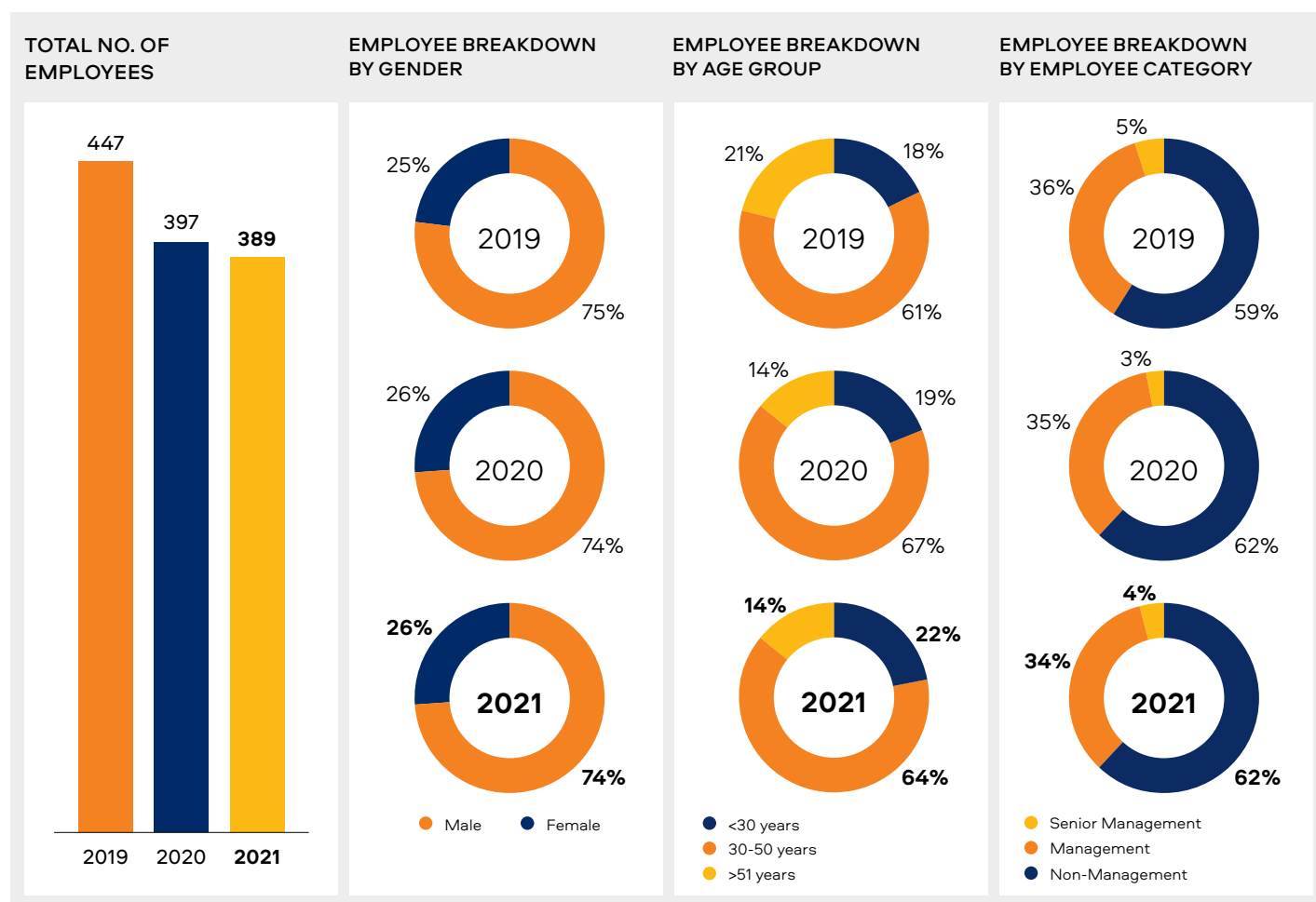


30-50 years >51 years

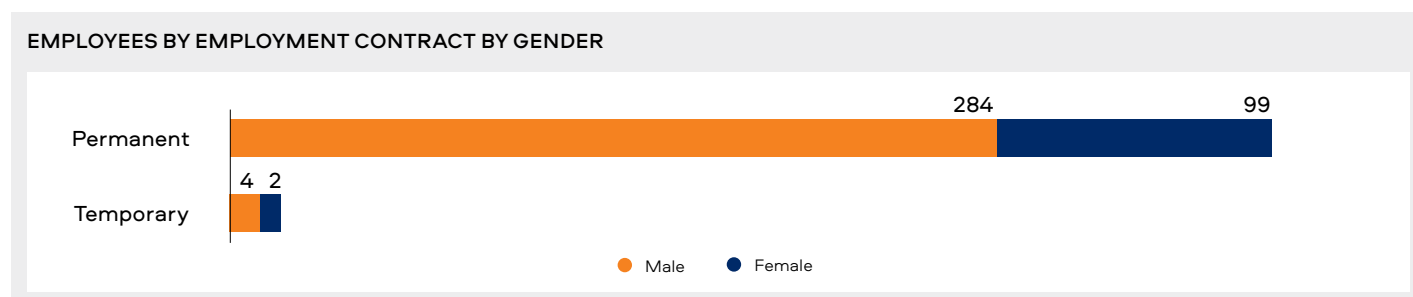
## Social

## 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:

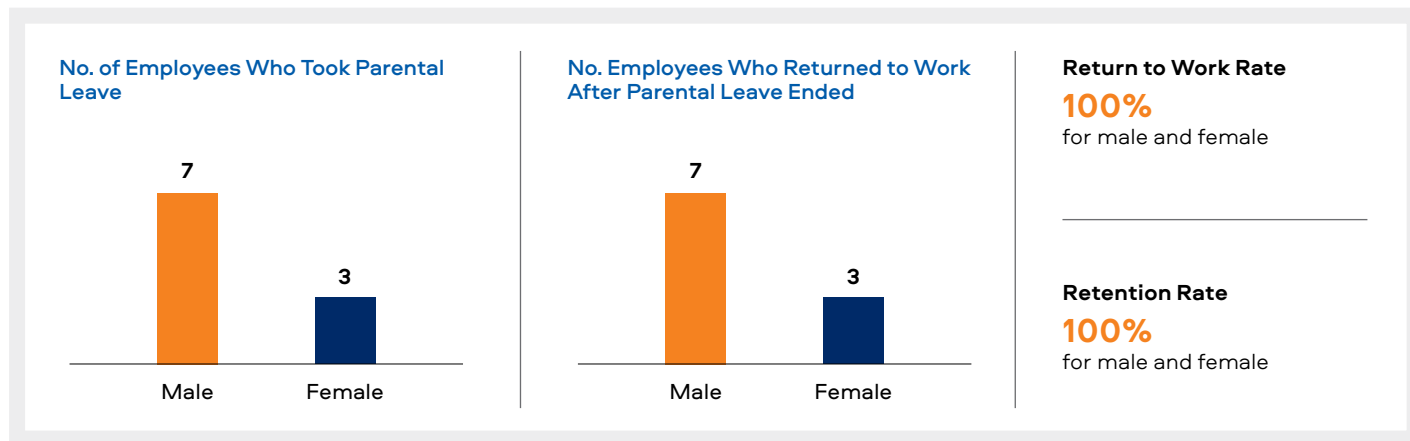


## Social

## 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.

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.

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.

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

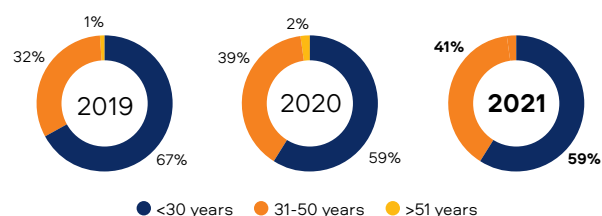
We were certified as a Top Employer in Malaysia in 2021 yet again, for the fourth consecutive year. This accolade recognises our focus in creating a culture of engaged, diverse employees who lead and inspire each other, and who contribute towards our purpose of A Better Tomorrow™. It also reaffirms us 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.



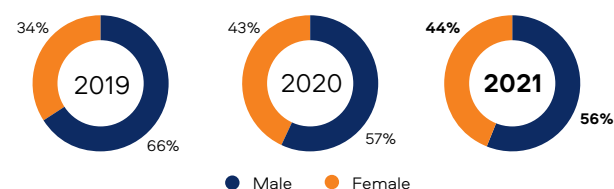
Our strive for diversity and gender equality has been reflected in the number of our new hires. Since 2019, the percentage of female new hires has increased steadily from 34% in 2019 to 43% in 2020 and 44% in 2021. The increase in the number of female recruits in 2020 despite a decrease of 42% in the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

#### TOTAL NO. OF EMPLOYEE HIRES

##### By Age Group



##### By Gender



#### 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.

## Social

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.



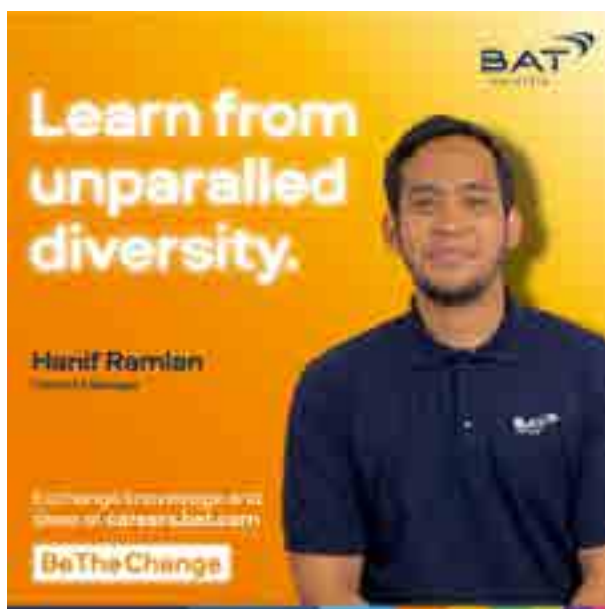
|                   |  |   |  |         |             |
|-------------------|--|---|--|---------|-------------|
| Corporate purpose | A Better Tomorrow™   |   |  |         |             |
| Ethos             | EMPOWERED  | BOLD  | FAST   | DIVERSE | RESPONSIBLE |
| EVP               | Be The Change  |   |  |         |             |
| Pillars           | Bring your Difference  | Work on the World Stage   | Make a Positive Impact   |         |             |
|                   | <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>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>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.



## Social

## 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.

01

Sustainable Engagement index stood at **82%** and measures employees' connection to the organisation.

02

High-Performance index stood at **79%** and comprises the factors which differentiate high-performing companies.

03

Ethos index stood at **84%** and shows how well employees uphold Ethos on a daily basis.

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.



## Social

## RECOGNISING &amp; 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 10<sup>th</sup>, 20<sup>th</sup> and 30<sup>th</sup> 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 Pharamaniaga 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.



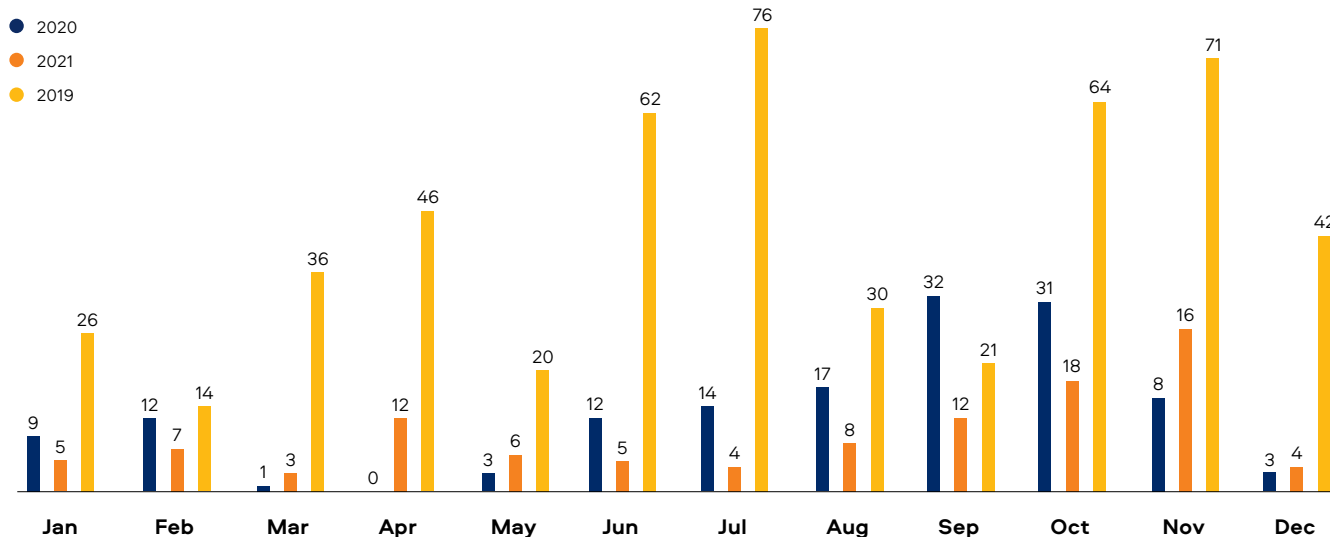
### Enhancing Health and Safety at Our Workplace

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.

## Social

## 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

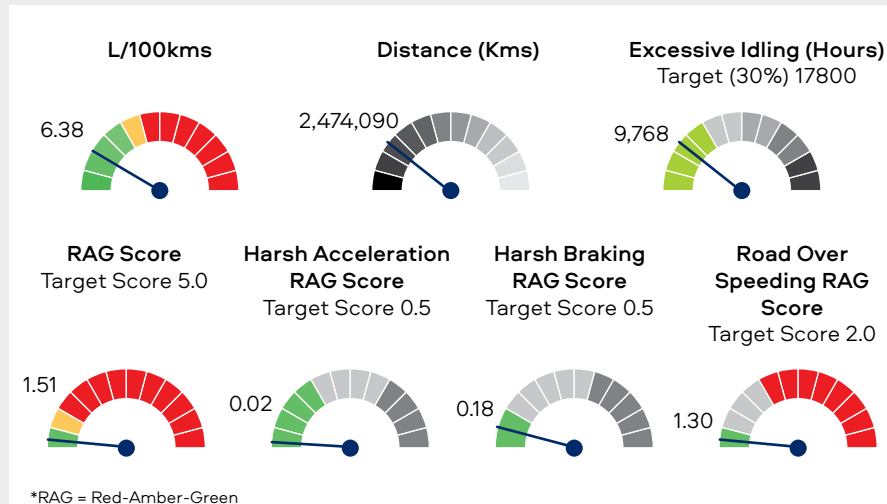
In 2019, the Company installed telematics monitoring systems, which combine GPS technology and onboard diagnostics, in all Company fleet vehicles. The systems aid us in gaining a better understanding of driver behaviour and in adapting our processes and training for enhanced safety, cost management and 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.

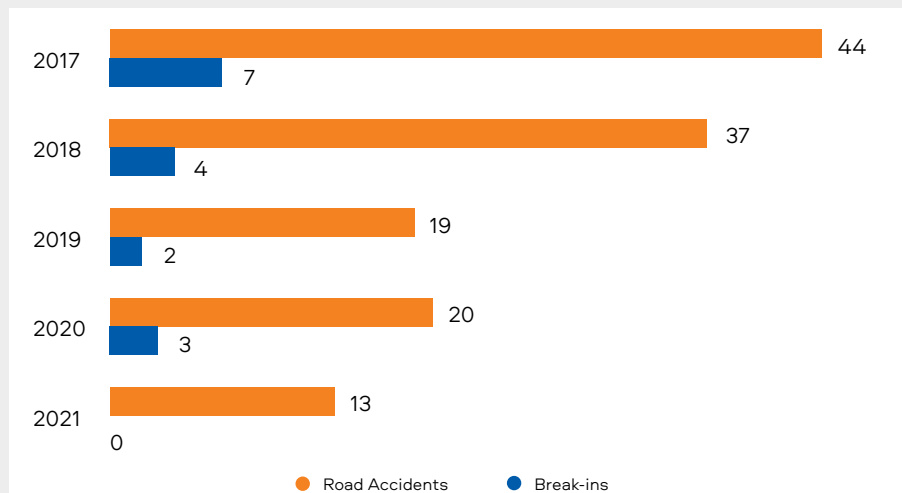


## Social

## BAT MALAYSIA PERFORMANCE



## NATIONAL SALES TEAM INCIDENT 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 17<sup>th</sup> 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