

Our purpose is to build a better tomorrow by reducing the health impact of our business



A BETTER TOMORROW™

Annual
Report
2020





Committed to Building A Better Tomorrow™

Our Purpose

To *reduce the health impact** of our business

Our Commitment

To provide *adult consumers* with a wide range of enjoyable and *less risky products**

To encourage *smokers to switch completely to scientifically-substantiated reduced-risk alternatives**

* Assuming a complete switch from cigarette smoking. These products have the potential to be less risky and if they contain nicotine are addictive.

Building A Better Tomorrow™

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™



AS BAT MALAYSIA BUILDS A BETTER TOMORROW™, SUSTAINABILITY IS AT THE CORE OF OUR BUSINESS.

Our Sustainability Agenda reflects our commitment to reducing the health impact of our business as a principal focus area. This is underpinned by excellence across our other ESG priorities.

As part of our commitment to protecting the environment, this annual report is printed on FSC™ certified paper and is fully recyclable.



Read more on BAT p.l.c.'s global efforts on Sustainability by downloading our latest **Sustainability Report** here

Disclaimer:

Pages 3 - 7 highlights British American Tobacco p.l.c.'s journey to A Better Tomorrow™ and the progress the Group has made towards becoming a consumer-centric, multi-category company with a focus on moving beyond combustible tobacco.



Purpose

At BAT we are proud of the journey we are on to transform our business.

Our ambition is to accelerate this transformation through our range of alternative choices for adult consumers, which are already being used by millions of people worldwide.

Our goal is to continue to focus on our societal responsibilities and reduce the health impact of our business as we look to grow this number to 50 million by 2030.

These bold business objectives drive us everyday to continue building A Better Tomorrow™.

A photograph of four hands, two from the top and two from the bottom, holding a small green plant with two leaves. The hands are wearing light-colored sleeves. The background is a solid light green.

Sustainable

At BAT we are proud to be a global leader in sustainability. But don't take our word for it.

For the 19th consecutive year, we have been included in the Dow Jones Sustainability Indices (DJSI) – the gold standard of tracking an organisation's environmental, social and governance practices.

We are the only company in our industry to feature in the DJSI World Index; the top 10% of global ESG leaders.

This recognition inspires us to keep accelerating towards building A Better Tomorrow™.



Explore how Industry leadership in the Dow Jones Sustainability Indices reflects our commitment to sustainability.

 www.bat.com/strategy
 [@BATplc](https://twitter.com/BATplc)
 youtube.com/welcometobat



Science

At BAT we are proud of our work in science and innovation which is fundamental to our business. But don't take our word for it.

Our unique plant-based technology has been used to develop a COVID-19 and seasonal flu candidate vaccine. Both have progressed into Phase 1 first-time in human trials, following approval by the FDA of the Investigational New Drug application.

We have more than 1,500 R&D specialists, including global leaders in the field of plant genomics and bioinformatics, across our research facilities in the UK and USA.

This scientific progress inspires us to keep accelerating towards building A Better Tomorrow™.



Explore more about our extensive scientific research programme, covering a broad spectrum of scientific fields including molecular biology, toxicology and chemistry.

 www.bat.com/strategy
 [@BATplc](https://twitter.com/BATplc)
 youtube.com/welcometobat

Progress

At BAT we are proud of the progress we are making on the journey to transform our business.

We are committed to achieving our goal of £5billion revenue from our new categories by 2025. As we are to tracking and sharing our progress.

We continue to focus on delivering strong returns for our shareholders, ensuring a progressive environment for our more than 50,000 global employees and addressing our impact on society as a whole.

These ambitions inspire us to keep accelerating towards building A Better Tomorrow™.



Diversity

At BAT we are proud to be building a modern organisation for all of our 50,000+ employees globally. But don't take our word for it.

For the fourth year in a row, BAT has been named as a Global Top Employer by the Top Employers Institute, as well as a Top Employer in 34 individual countries.

And for the second consecutive year, we featured in the Financial Times Diversity Leader rankings – a measure of an employer's diversity of gender, age, ethnicity, disability and sexual orientation.

This recognition inspires us to keep accelerating towards building A Better Tomorrow™.

60th

BRITISH AMERICAN TOBACCO (MALAYSIA) BERHAD ANNUAL GENERAL MEETING

Broadcast Venue

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

Date & Time

Thursday // 22 April 2021 // 9.30 a.m.

Website

www.batmalaysia.com



Scan to view our
Annual Report 2020
microsite

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

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The background of the slide features a blurred image of laboratory glassware, including two test tubes and a beaker, all filled with a clear liquid. The entire image is overlaid with a solid blue color, which serves as the background for the text.

Overview

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CORPORATE PROFILE



BRITISH AMERICAN TOBACCO (MALAYSIA) BERHAD

British American Tobacco (Malaysia) Berhad (BAT Malaysia) is the leading tobacco company in the country with a 51.7% share of the legal market.

(Source: IPSOS Retail Audit Dec 2020)

The Company, with 397 direct employees and 1,808 indirect 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. The Group has developed new categories of potentially reduced-risk alternatives to smoking and BAT Malaysia wishes to pursue discussions with the government to establish a regulatory framework for nicotine vaping.

Together with our subsidiaries - Commercial Marketers and Distributors Sdn. Bhd., Rothmans Brands Sdn. Bhd., Tobacco Importers and Manufacturers Sdn. Berhad, Commercial Marketers and Distributors Sdn. Bhd. (Brunei), 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.

PURPOSE & STRATEGY

OUR PURPOSE

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



OUR STRATEGY

Our business is on a transformation journey. 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 strategy is about anticipating and aiming to satisfy the ever-evolving consumer: providing pleasure, reducing risk, offering an increasing choice and stimulating the senses of adult consumers worldwide.



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

DUNHILL

Peter
Stuyvesant

Rothmans

YO

glo neo™

PALL MALL

BENSON & HEDGES

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+

Earnings Per Share (sen)

85

Employees

397

Market Share

51.7%

Certified Top Employer



RESULTS

AT A GLANCE

Revenue

RM 2,315 MILLION

Profit Before Tax

RM 329 MILLION

Net Profit

RM 242 MILLION

Net Dividend Per Share

83 SEN

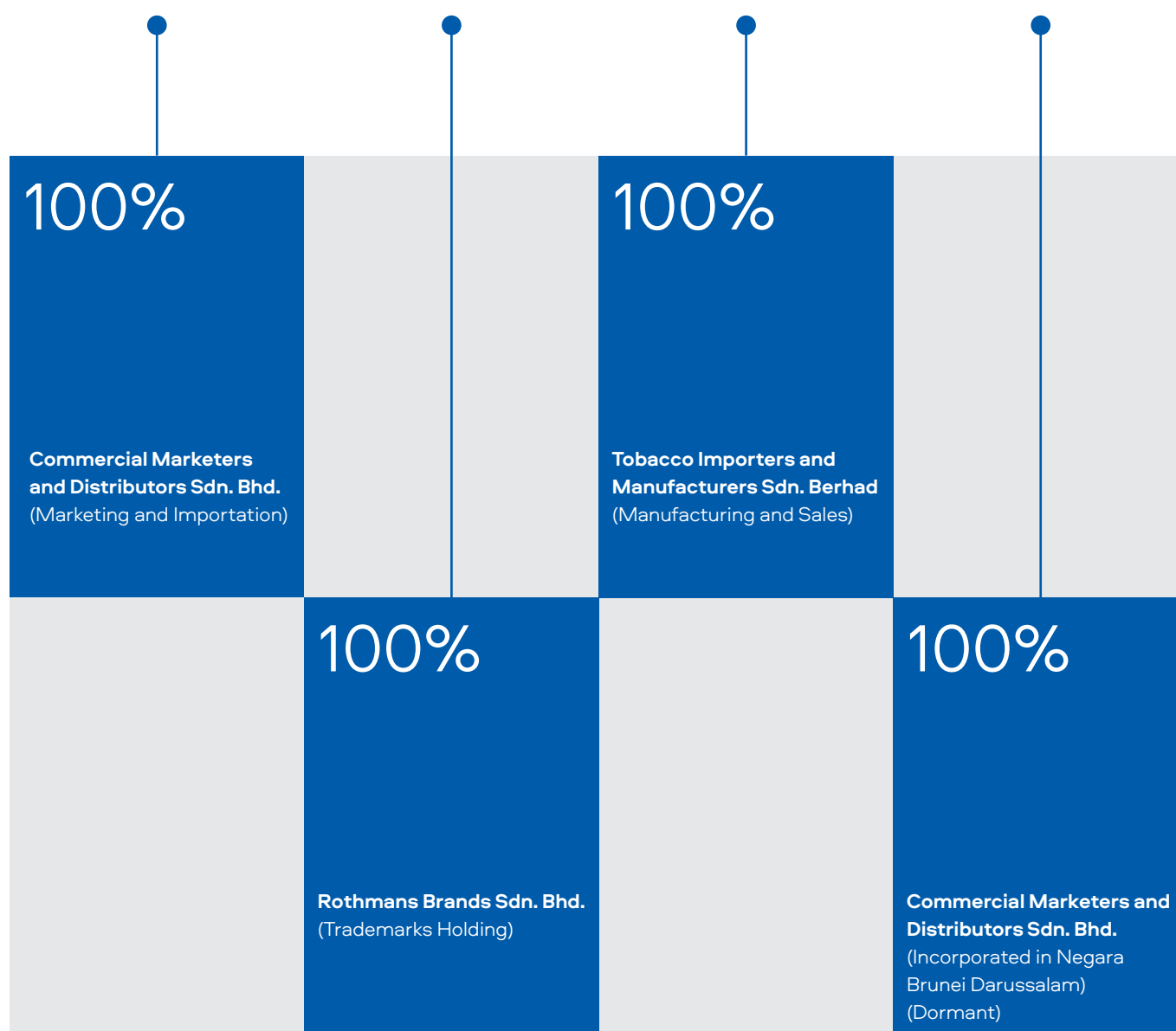
Shareholder's Fund

RM 373 MILLION

Net Returns on Shareholder's Fund

65%

CORPORATE STRUCTURE



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 2020.



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

Jonathan Reed (Managing Director)

BAT Malaysia performed well in 2020 under difficult operating conditions. We view 2020 as a turnaround year for our business. Our volume, profit, net turnover and share all grew in the three closing quarters of the year. This represents our strongest quarter on quarter performance since 2015.

Accordingly, the Board of Directors has declared a dividend of 83 sen per share.

Last year was not without its headwinds. The growing tobacco black market, illegal nicotine vapour sales and the COVID-19 pandemic impacted our revenue and profit from operations by over RM100 million. Despite that, we believe that we established robust responses to these challenges – details on which can be found later in this report.

2020 also saw the launch of our *A Better Tomorrow™* purpose. 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. This will deliver a better tomorrow for our consumers who will have a range of enjoyable and potentially less risky choices for every mood and moment; for society through reducing the overall health and environmental impacts of our business; for our employees by creating a dynamic and purposeful place to work; and for our shareholders by delivering sustainable superior returns.

We would like to take the opportunity to record our deepest appreciation to Datuk Zainun, who stepped down as our Senior Independent Non-Executive Director on 28 February 2021, after nine years on the Board of BAT Malaysia. The guidance and insights provided by Datuk Zainun in executing her fiduciary duties for the Board have been exemplary.

We would also like to take this opportunity to thank our valued shareholders for your trust and confidence in BAT Malaysia.

Last but not least, we would like to convey a special Terima Kasih to all employees of BAT Malaysia for bringing our ethos of bold, fast, empowered, responsible and diverse to life and delivering a remarkable year for the Company.

As we enter 2021, we are confident that we can build on the turnaround of last year and take the Company back to growth and build *A Better Tomorrow™*.

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

Jonathan Reed (Managing Director)

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)

Jonathan Darlow Reed (Jonathan Reed)

Non-Independent Executive Director
(Managing Director)

Datuk Zainun Aishah binti Ahmad

KMN, PMP, DPMP, JSM, PJN

Senior Independent
Non-Executive Director
(Resigned on 28 February 2021)

Dato' Chan Choon Ngai

DSNS

Senior Independent
Non-Executive Director
(Re-designated on 1 March 2021)

Eric Ooi Lip Aun

Independent Non-Executive Director

Datuk Christine Lee Oi Kuan

DPSM

Non-Independent
Non-Executive Director

Ignacio Ballester

Non-Independent Executive Director
(Finance Director)

 Kindly refer to pages 64 to 70 for more information of Board of Directors.

Company Secretary

Sharifah Thaherah Syed Taha

(SSM PC 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

Damansara City

No. 6, Jalan Damansara

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



Performance

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MANAGEMENT DISCUSSION AND ANALYSIS



Dear Shareholders,

I am pleased to present the Management Discussion and Analysis (MD&A) of British American Tobacco (Malaysia) Berhad (“BAT Malaysia”, “the Company” or “the Group”) for the financial year ended 31 December 2020. This MD&A provides insights into BAT Malaysia’s business operations, financial performance and expectations going into 2021.

Jonathan Reed
(Managing Director)



TURNAROUND YEAR FOR BAT MALAYSIA

In 2020, BAT Malaysia delivered a turnaround performance for our shareholders. BAT Malaysia grew quarter on quarter in the three closing quarters of the year.

Although headwinds were presented in the form of disruptions from the COVID-19 pandemic, the growing

tobacco black market and the growth of illegal nicotine vapour sales, 2020 provides a great platform for the Company to go back to growth and build *A Better Tomorrow™*.

A more detailed assessment of BAT Malaysia’s financial results is disclosed in the Review of Financial Results section following this MD&A.




MEETING CONSUMER NEEDS

The strength of our brands played a critical role in BAT Malaysia’s 2020 turnaround.

In response to consumer downtrading brought on by excise- and COVID-19-related affordability pressures, BAT Malaysia successfully introduced a new brand, KYO, to fortify our portfolio in the Value-for-Money (VFM) segment. The fast and bold execution of KYO has seen a positive share of market since its launch in mid-2020, achieving a 2.8 percent share of market in the second month of launch. With Rothmans and KYO, BAT Malaysia’s share of the VFM segment achieved a 33 percent market share at the end of 2020.

At the same time, BAT Malaysia maintained Dunhill’s leadership position within the premium segment. This was achieved by refreshing the design of its cigarette pack with the unveiling of a bold, new premium and progressive look and feel for the brand. In one month, Dunhill’s share of the premium segment grew by 1 percent in the mass market and 4 percent in convenience stores.

3 Consecutive Quarters with Growth

	Q1 '20 vs Q4 '19	Q2 '20 vs Q1 '20	Q3 '20 vs Q2 '20	Q4 '20 vs Q3 '20
 VOLUMES	-29%	+12%	+18%	+3%
 REVENUE	-27%	+14%	+15%	+5%
 PROFIT FROM OPERATIONS	-48%	+16%	+6%	+19%

MANAGEMENT DISCUSSION AND ANALYSIS

OUR CORPORATE PURPOSE OF A BETTER TOMORROW™

In 2020, we launched our purpose of *A Better Tomorrow™*. With this purpose, BAT Malaysia will create a sustainable future for our shareholders and other stakeholders.

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.

In 2020, we also started conversations on the need to establish an appropriate regulatory framework for New Category products such as nicotine liquids for vaping. With over one million Malaysians consuming unregulated nicotine vapour products of unknown provenance, BAT Malaysia believes that policy change is long overdue.

BAT Malaysia was encouraged when Budget 2021 announced the government's intention to excise vaping devices and zero nicotine liquids. However, zero nicotine liquids make up only 3 percent of the Malaysian market. We are hopeful that this is a move towards legalisation of nicotine containing liquids.



Read more about what our global Chief Executive Jack Bowles has to say about our evolved **corporate strategy and purpose**

SUSTAINABILITY TO THE FRONT

Underpinning BAT Malaysia's *A Better Tomorrow™* ambition is our Environment, Social and Governance, (ESG) programme. With this, we set out clear commitments to deliver a positive impact on the environment, on society and on our employees. Chief amongst those, beyond reducing the harm impact of our business, are:

- Placing greater emphasis on the importance of addressing climate change and ensuring excellence in environmental, health and safety management.
- Remaining committed to delivering a positive social impact to economically vulnerable communities.
- Ensured continued and robust corporate governance in BAT Malaysia.

Committed to Building
A Better Tomorrow™

Our Purpose

To **reduce the health impact*** of our business

Our Commitment

To provide **adult consumers** with a wide range of **enjoyable and less risky products***

To encourage **smokers** to **switch completely** to **scientifically-substantiated reduced-risk alternatives***

* Assuming a complete switch from cigarette smoking. These products have the potential to be less risky and if they contain nicotine are addictive.

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5

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

MANAGEMENT DISCUSSION AND ANALYSIS



Details of BAT Malaysia's sustainability agenda in relation to ESG as well as key achievements and targets are found in the Awards and Highlights section and the Sustainability Statement section of this annual report.



Watch more on our journey towards a green office for **our people and the planet** on here

THE TOBACCO BLACK MARKET CRISIS

The tobacco black market remained a threat to the legitimate industry in 2020. According to the Illicit Cigarettes Study conducted by Nielsen, illegal cigarettes grew to 63 percent of the industry total volume in 2020. This cements Malaysia's dubious position as having the largest illegal tobacco problem in the world.

Responding to this crisis, in the 2nd quarter of 2020 we launched a bold campaign to STOP THE BLACK MARKET. Viewed over 400 million times, the campaign started a discussion with Malaysians on the size of the illegal tobacco problem and how it might be solved.

BAT Malaysia was encouraged to see the government announce a range of measures to fight the tobacco black market as part of Budget 2021.



Scan this code for the **latest ICS survey** results

OUR ETHOS

Launched in 2020, our ethos is the key driver to deliver *A Better Tomorrow™*. Our ethos is about being bold, fast, empowered, responsible and diverse to create a future-fit culture at BAT.

Developed with significant input from our employees, our ethos is the thread that runs through everything we do and how we do it, and we believe it empowers our people, fosters a vibrant and rewarding work place and promotes sustainable long-term value.

BAT Malaysia's focus in this area has been recognized. BAT Malaysia was awarded the Top Employers Malaysia, Top Employers Asia Pacific and Top Employers Global 2021 certifications by the Top Employers Institute, the global authority on recognising excellence in people practices. Locally, we were awarded as the Best International Organisation and Outstanding Practice – Initiative for Women Workforce at the prestigious LIFE AT WORK 2019 Awards. Organised annually by the Ministry of Human Resources (MOHR) through its agency, Talent Corporation Malaysia Berhad (TalentCorp) and in collaboration with the

MANAGEMENT DISCUSSION AND ANALYSIS

Ministry of Women, Family and Community Development (KPWKM), the awards celebrate organisations whose leading workplace strategies demonstrate a drive and commitment to not just recruiting but nurturing and cultivating local talents in the workforce.

HEALTH AND SAFETY OF OUR TEAM

Our number one priority amidst the COVID-19 pandemic has been securing the health and safety of our employees. BAT Malaysia established stringent standard operating procedures including the issuing of personal protective equipment, the establishment of work-from-home protocols and, recognising how this pandemic can affect mental health, we also launched BAT Cares, a mental health and wellness support tool for our team.

DIGITAL AND DATA DRIVEN TRANSFORMATION

Technology was a key enabler in 2020, allowing us to turnaround our business and deliver strong results.

As part of our transformation journey, we invested in analytical tools that greatly enhanced our understanding of shifting consumer purchasing patterns and allowed us to optimise our route to market approach. This year, we accelerated commercial insights by empowering the business with a key data analytics tools that allowed us to reduce the time spent in garnering insights.

Technology also played a role in the Company's response to the challenges of COVID-19. We were able to execute work-from-home protocols via the Microsoft Teams platform and enhanced network bandwidth capability. Similarly, BAT Malaysia successfully conducted our first virtual AGM and quarterly analyst briefings.

MOVING FORWARD FOR A BETTER TOMORROW™

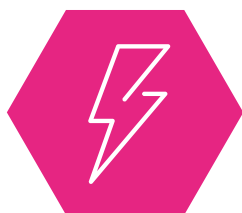
The Company's turnaround in 2020 provides a great platform for us to go back to growth and build *A Better Tomorrow™*.

In 2021, BAT Malaysia will continue to strengthen our portfolio by solidifying Dunhill's leadership in the Premium market while driving further growth in the Value-for-Money category through Rothmans and KYO.

We also look forward to seeing the impact of the government's efforts, as announced in Budget 2021, to address the tobacco black market. We believe that for these measures to be truly effective the government must look at reducing the price gap between the legal and black markets. This will be especially the case given affordability pressures brought on by COVID-19.

In 2021, we will continue to transform our business to build *A Better Tomorrow™* for our shareholders and other stakeholders. The greatest contribution we can make to society is to reduce the health impact of our business. For BAT Malaysia, that means leading the discussion around the establishment of an appropriate regulatory framework for nicotine vaping. This would ensure that the over one million Malaysians who currently vape would have access to products of known quality and safety standards.

The Board of Directors, Leadership Team and employees of BAT Malaysia are committed to delivering a strong performance for the financial year 2021.



BOLD



FAST



EMPOWERED



DIVERSE



RESPONSIBLE

AWARDS AND ACHIEVEMENTS

“The entry earned consistently high scores across all four areas of assessment. Most notable were the judges’ comments praising the campaign for its strong industry-level approach that yielded impressive, tangible results.”

Soren Beaulieu

Regional Content & Strategy Director of Marketing Interactive

“In spite of the troubling economic situation caused by the COVID-19 pandemic, BAT Malaysia has created an amazing book, with a compelling cover and convincing story that impressed the judges. Considering there are over 1,690 entries from 29 countries competing for this year’s awards, capturing the Silver Award is indeed a world-class achievement.”

Reni L. Witt

President & Founder
International ARC Awards

“A company’s corporate governance is important to investors since it shows a company’s direction and business integrity. By being recognised for upholding high standards of corporate governance, BAT Malaysia not only builds trust with investors and the community, its employees also stand to gain from working in a company whose corporate reputation fosters a culture of integrity that leads to a positive performance and sustainable business.”

Devanesan Evanson

CEO, MSWG

2020

- Certified as a Top Employer in Malaysia and Asia Pacific for 2021 by Top Employers Institute for the third consecutive year, and also awarded the Top Employer Global 2021 certification.
- Awarded the Leadership in Energy and Environmental Design (LEED) certification.
- Silver Award in the Best Corporate Affairs Strategy category at the PR Asia Awards 2020.
- Silver Award in the Traditional Annual Report (Food & Consumer Packaged Goods) category at the Annual Report Competition (ARC) Awards 2020.
- Silver Award in the Integrated Presentation category at the International Annual Report Design Awards (IADA) 2020.
- Ranked third place in the Excellence Award for Overall Corporate Governance and Performance at the MSWG-ASEAN Corporate Governance Awards 2019.
- Ranked fourth place in the Industry Excellence Award (Consumer Products & Services) at the MSWG-ASEAN Corporate Governance Awards 2019.
- ASEAN Asset Class Award at the 2019 ASEAN Corporate Governance Scorecard (ACGS) Awards.
- Ranked 19th amongst the top 100 Malaysian Public Listed Companies (PLCs) for Corporate Governance Disclosure 2019.
- Recognised as the Best International Organisation and the Best Outstanding Practice – Initiative for Women Workforce at the Life At Work 2019 Awards, organised by Talent Corporation Malaysia Bhd (TalentCorp).
- Gold Premier Award for the ‘OSH Management on Retail & Wholesale of FMCG Products’, by the Malaysian Occupational Safety and Health Practitioners’ Association (MOSPHA).

2019

- Highest Return on Equity over Three Years in the Consumer Products and Services Sector at The Edge Billion Ringgit Club 2019.
- MSWG-ASEAN Corporate Governance Awards 2018 – Excellence Award for Disclosure (15th).
- MSWG-ASEAN Corporate Governance Awards 2018 – Excellence Award for Long-Term Value Creation (2nd).
- Recognised by Top Employers Institute, an independent global certification company as one of the Top Three Best Companies in Malaysia.
- Certified Top Employer in Malaysia and Asia Pacific 2020 by Top Employers Institute.
- Won HR Best Companies to Work for in Asia.
- Winner of Excellence in Total Rewards Strategy (Gold), Excellence in Employee Engagement (Silver), Excellence in Innovative Use of HR Tech (Silver), Excellence in Business Transformation (Bronze), and Excellence in Employee Wellbeing (Bronze) at the HR Excellence Awards Malaysia 2019.
- The Company won its first health and safety award from a Health and Safety NGO and recognition by the industry: Achieved Malaysian Occupational Safety and Health Practitioners’ Association (MOSPHA) Health and Safety Audit with Full Compliance. Also won the Gold Award for Retail and Wholesale of FMCG Product Category.



MINORITY SHAREHOLDERS WATCH GROUP
Shareholder Activism and Protection of Minority Interest



AWARDS AND ACHIEVEMENTS

2018

- Highest Return on Equity Over Three Years in the Consumer Products and Services Sector at The Edge Billion Ringgit Club 2018.
- Recognised by Top Employers Institute, an independent global certification company as one of the Top Three Companies within Malaysia.
- Also secured Top Employer – Malaysia/Asia Pacific 2019 by Top Employers Institute.
- Winner of The Best Employer Brand Leadership Award by BrandLaureate BestBrands Awards 2017-2018.
- HR Asia's 'Best Companies to Work for in Asia 2018' at the HR Excellence Awards Malaysia 2018.
- Winner of Excellence in Total Rewards Strategy (Gold), Excellence in Innovative Use of HR Tech (Silver), Excellence in Employee Engagement (Silver) and Excellence in Employer Branding (Bronze) at the HR Excellence Awards Malaysia 2018.
- Winner of the "Outstanding Practice: Work" at the Life at Work Award 2018 by Talent Corporation Malaysia Berhad.
- British American Tobacco Global Business Services Sdn Bhd (BAT GSD KL) and BAT Aspac Shared Services Sdn Bhd were also awarded HR Asia's 'Companies to Work for in Asia 2018' and two Gold Awards at the HR Excellence Awards Malaysia 2018.

2017

- Certified as a Top Employer-Malaysia by the Top Employer Institute, an independent global certification company.
- Winner of the CG Award for Industry Excellence in the Consumer Goods category at the MSWG-ASEAN Corporate Governance Awards 2017 for the third consecutive year in a row.
- Winner of Excellence in Employee Engagement (Gold), Excellence in Employer Branding (Silver) and Excellence in Leadership Development (Silver) and Excellence in Innovative Use of HR Tech (Bronze) at the HR Excellence Awards 2017.
- Winner of Most Sustainable Brand Award in the Business and Community Leadership category and winner of the Brand Transformational Leadership Award (Erik Stoel) at the BrandLaureate BestBrands Award 2016-2017.
- Winner of Malaysia's Best Employer Brand Awards from the Employer Branding Institute.
- Commercial Marketers & Distributors Sdn Bhd was awarded Best Tax Payer Award 2016 in the Private Limited Company category by the Inland Revenue Board of Malaysia.

2016

- Winner of Malaysia Best Employer Brand Award at the Employer Brand Awards 2015.
- Two Gold awards for Best Candidate Experience and Best Recruitment Evaluation Technique at the Asia Recruitment Awards 2015.
- Received the Pioneer Members Award Tribute to Selangor Members of 45 years and above from the Federation of Malaysian Manufacturers Selangor Branch as recognition of our longstanding membership with them.
- Highest Return on Equity in the Consumer Product Sector for The Edge Billion Ringgit Club Awards 2015.
- Silver award for Employer of Choice Award at the Malaysia HR Awards in partnership with JobStreet.com.
- Top 10 public listed companies in Malaysia recognised for their excellence in corporate reporting at the Building Trust Awards 2015 by Pricewaterhouse Cooper.
- Top 20 Companies shortlisted for their Reporting within an Annual Report at the ACCA Malaysia Sustainability Reporting Awards 2015.
- Winner of the CG Award for Industry Excellence in the Consumer Services and Goods category at the MSWG-ASEAN Corporate Transparency, Index, Findings and Recognition 2015 – The Malaysian Chapter.



REVIEW OF FINANCIAL RESULTS

REVENUE

Total revenue for BAT Malaysia declined by 7.7 percent (RM193 million) when compared to 2019.

The persistently high levels of the tobacco black market at 63 percent and the growth of illegal vaping coupled with market downtrading have resulted in the Group's domestic revenue declined by 5.3 percent (RM132 million). The COVID-19 pandemic has impacted the Group's duty-free sales as the imposed regional and international travel restrictions, resulted in revenue decline by 2.5 percent (RM61 million).

COST OF SALES

The Group's cost of sales reduced by 4.1 percent (RM73 million) when compared to 2019, primarily attributed to lower sales volume from the impact of pandemic travel restrictions, productivity improvements and cost-saving initiatives. The Group continued to drive cost rationalisation initiatives to deliver a competitive product cost leveraging its current supply chain model.

OPERATING EXPENSES

In 2020, operating expenses were slightly higher by 2.6 percent (RM7 million) when compared to the previous year, mainly driven by strategic investments the Group has undertaken to support our growing portfolio - Dunhill, KYO and Rothmans, restructuring expenses (please see below) and additional costs incurred due to the purchase of personal protective equipment and sanitisation cost as a result of the

COVID-19 pandemic. In addition, during the year, the Group invested in a campaign "STOP THE BLACK MARKET", which has highlighted the severity of the tobacco black market and its impact to Malaysia, prompting both Malaysians and the government to act on this issue. The overall increase in cost was partially offset by savings from the restructuring exercise, which started last year.

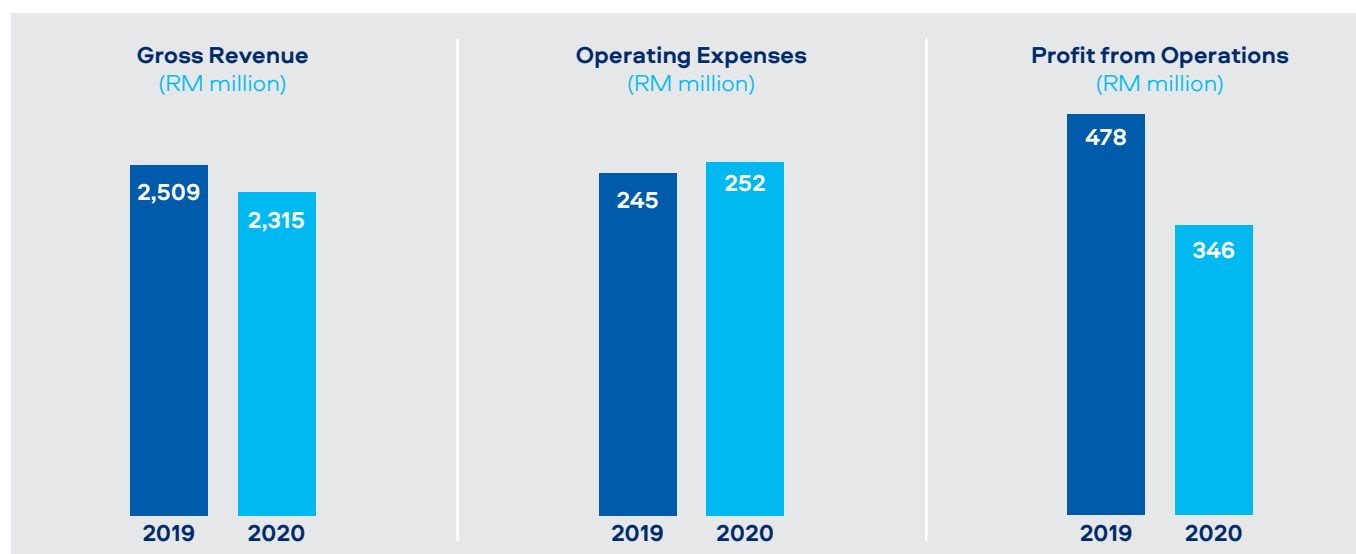
RESTRUCTURING EXPENSES

The Group's internal reorganisation exercise started in the fourth quarter of 2019 and concluded in 2020. This internal reorganisation exercise amounted to RM19 million, is a step change in delivering a more efficient, agile and focused organisation. As a result of the restructuring exercise, the Group had a reduction of approximately 100 headcounts in the workforce, which enabled the Group to unlock cost, improve ways of working and set a foundation of sustainable growth for the business.

PROFIT FROM OPERATIONS

The Group recorded a decline of 27.6 percent (RM132 million) in profit from operations when compared to 2019. This was mainly led by high illegal cigarette volume, growth of illegal vaping, market downtrading and lower duty-free sales as a result of COVID-19 related regional and international travel restrictions.

Profit from operations on a full-year recorded a decline when compared to the previous year.



REVIEW OF FINANCIAL RESULTS



However, the quarter on quarter evolution has shown continuous improvement and growth since the second quarter of 2020, showing positive signs of recovery in the business.

TAXATION

The average effective tax rate of the Group for the financial year ended 31 December 2020 was 26.6 percent. The marginal increase in average effective tax rate versus actual tax rate of 24 percent was mainly due to non-deductible items, which were mainly associated with restructuring expenses, interest non-deductibility, capital items and other non-allowable expenses.

DIVIDENDS

Despite the challenging environment, the Group remains committed to pay dividends at a level above 90 percent of its earnings. In 2020, the Group declared four quarterly interim dividends amounting to 83 sen per share, equivalent to a 98 percent total earnings payout for the year and a dividend yield of 7 percent based on average share price in 2020.

DEBT STRUCTURE

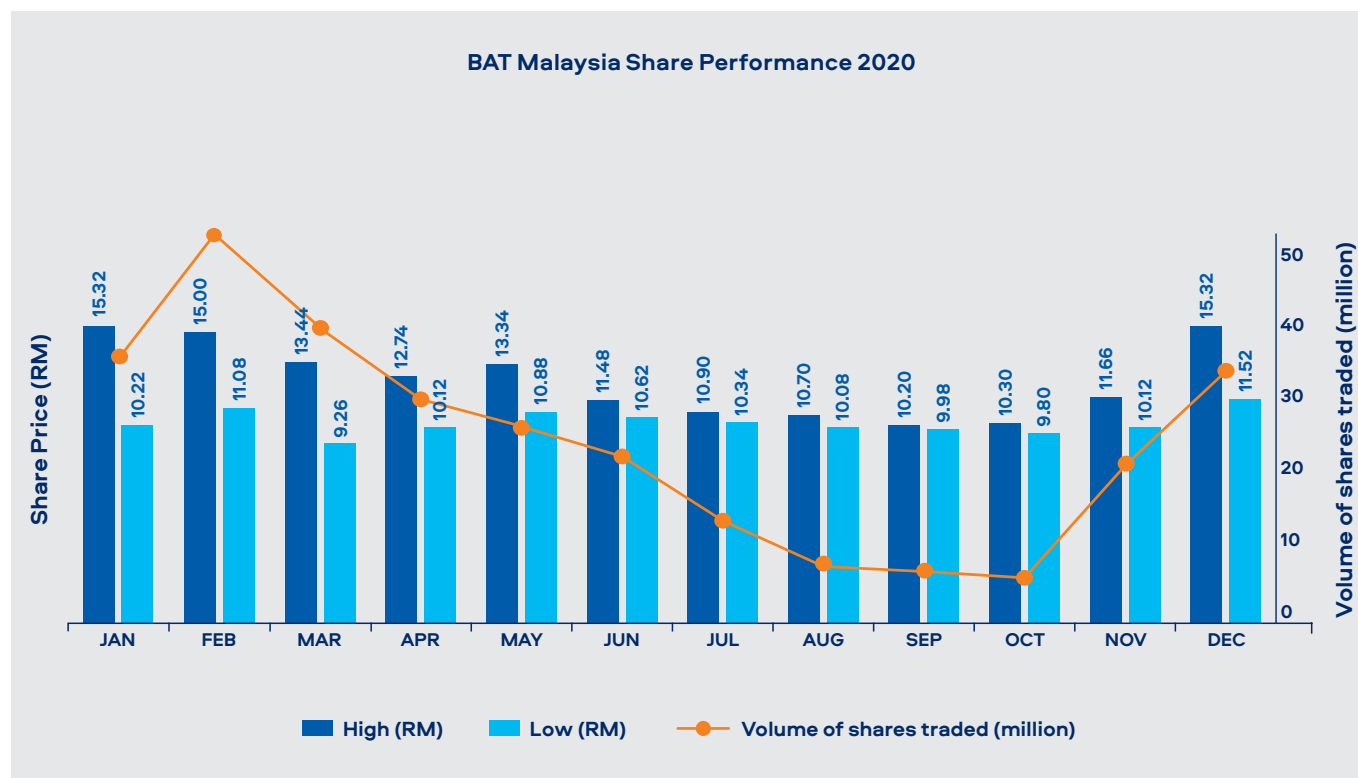
As at 31 December 2020, the Group has a total debt facility of RM620 million maintained with several licensed financial institutions in Malaysia. The Group continues to utilise revolving credits and bank overdrafts to support its short-term working capital requirements. This more flexible debt structure allows the Group to borrow at optimum level thereby minimising financing costs, together with improving interest deductibility. At the end of 2020, the Group had RM510 million of revolving credits with tenure of one month, compared to RM421 million in 2019, to support the higher working capital requirements due to higher inventories to ensure no supply chain disruption impacting the business during the unprecedented time of the COVID-19 pandemic.

WORKING CAPITAL AND LIQUIDITY

In 2020, cash from operations recorded a decline of 41 percent (RM184 million) as compared to 2019. The decrease in cash inflow was mainly due to lower receipts from lower sales coupled with additional purchase of inventories in view of the pandemic situation to ensure business continuity.

	12 months 2019 RM million	12 months 2020 RM million
Earnings before Interest, Tax, Depreciation and Amortisation (EBITDA)	492	359
Profit from Operations	478	346
Cash from Operations	448	264
Cash Conversion	91%	73%
Increase in cash and cash equivalents	(58)	9

REVIEW OF FINANCIAL RESULTS

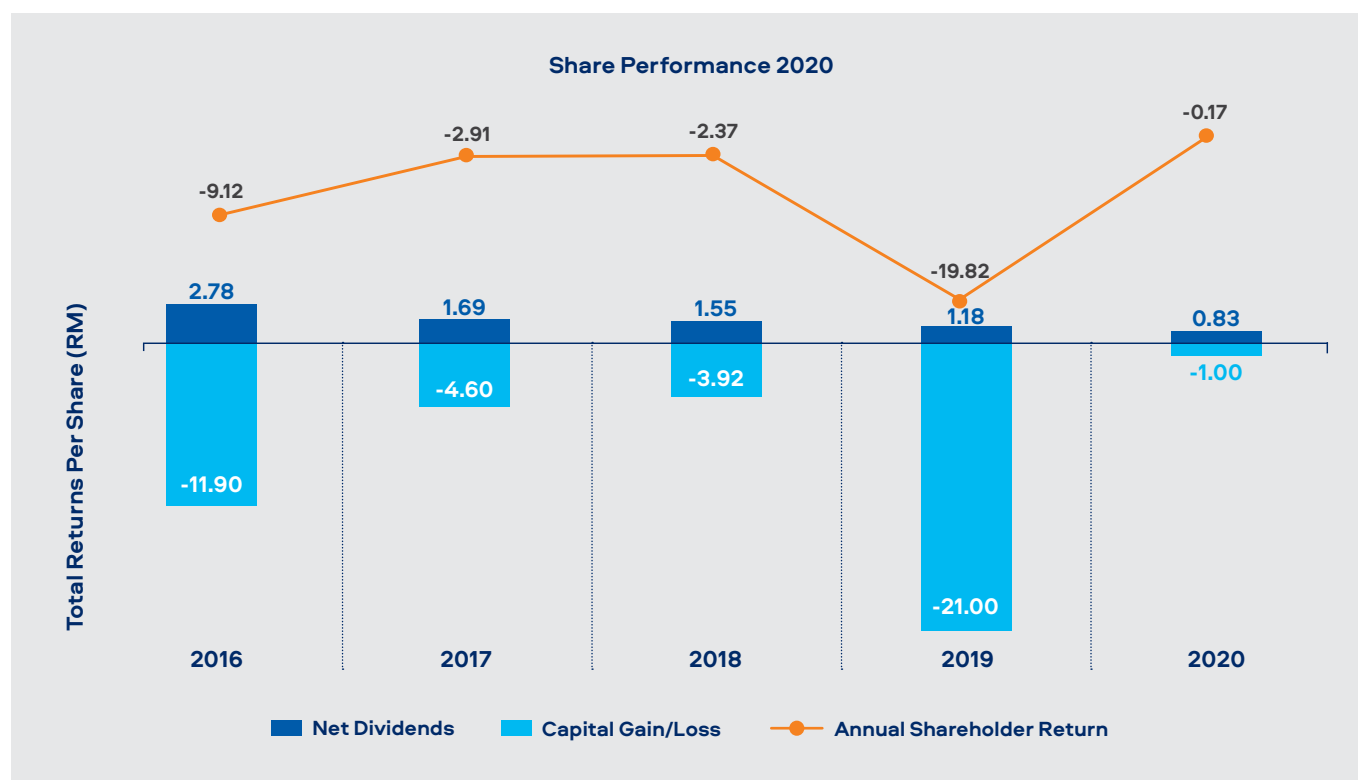


SHAREHOLDERS' RETURN

The share price of BAT Malaysia was mainly impacted by external factors such as the COVID-19 pandemic and the tobacco black market. In the last two months of the year, the share price has risen by 40 percent. It is encouraging to note that the strength of the company is being recognised after delivering three consecutive quarters of growth in performance. In addition, Budget 2021's announcement with the Government introducing a series of measures to combat illegal trade and the introduction of a tax framework for zero nicotine vaping also provided confidence for an optimistic outlook in the legal industry.

Market capitalisation for the Group closed at RM4.0 billion in 2020. The annual dividend yield that the Group generated is estimated at 7 percent. The Group continues to ensure that shareholders' return is maximised via sound strategies with focus on continuous strengthening and building 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 has also focused on Environmental, Social and Corporate Governance agenda for a sustainable future.

REVIEW OF FINANCIAL RESULTS



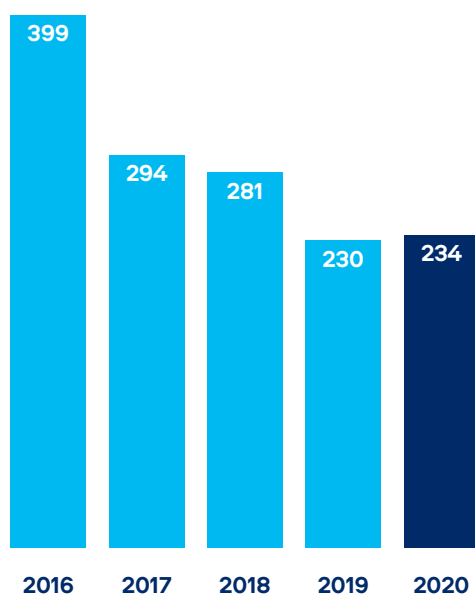
TREASURY

The Group's foreign currency exposure mainly comes 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 that was allowed under the Foreign Exchange Control guideline enforced by Bank Negara Malaysia. The permitted range on the hedge ratio within the 18 months of transaction date is 50 percent to 95 percent. The primary objective of the hedging strategy is to protect shareholder value by minimising foreign exchange rate fluctuations. This is achieved by layering the hedges monthly within the allowable boundaries set by Bank Negara Malaysia.

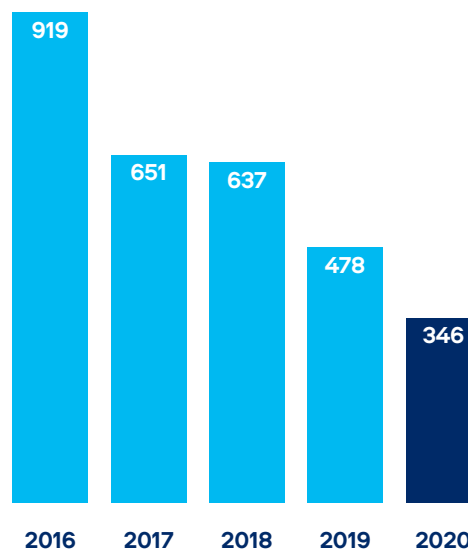
FIVE-YEAR PERFORMANCE

HISTORY

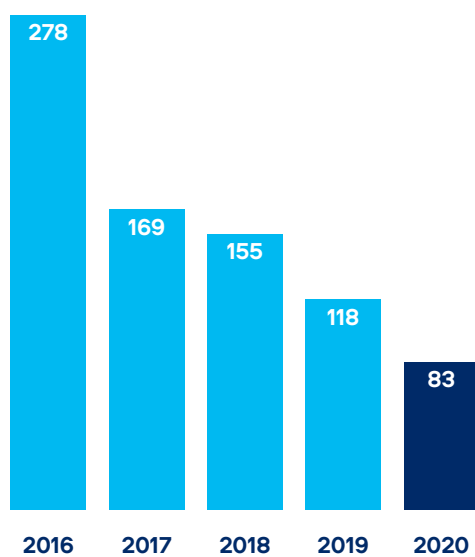
Operating Expenses (RM million)
excluding restructuring expenses



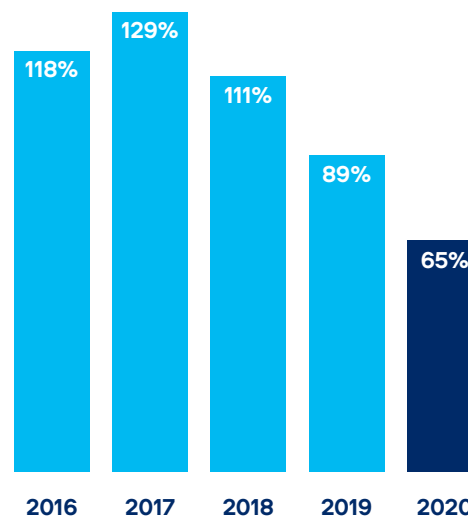
Profit from Operations (RM million)



Net Total Dividend per Share (Sen)



Return on Equity



FIVE-YEAR PERFORMANCE

HIGHLIGHTS

2016

The Group announced on 17th March 2016 that it would be restructuring its business operations by sourcing tobacco products for its domestic market from other state-of-the-art BAT factories regionally and would cease manufacturing operations. The restructuring was in line with the Group's efforts towards realising a new and more sustainable business model, amidst an increasingly challenging business environment. The Group subsequently announced the sale of the land and building upon which the factory operations are located and the sale was completed in November 2016. The volume share of the tobacco black market hit an all-time high record 57.1 percent in the month of December 2016 (*Source: Illegal Cigarette Study*).

2017

The Group has completed the closure of its factory operations in June 2017 and has changed its sourcing from local manufacturing to full importation. The Group entered into the Value-for-Money segment of the legal market through the launch of Rothmans in October 2017. Tobacco black market levels continued to trend upwards and recorded at all time high of 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 had taken aggressive cost rationalisation and restructuring measures to achieve a sustainable cost base and profitability level for the future. However, an urgent structural reform is 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 is encouraging to see the government's efforts in setting regulations and enforcement in curbing illegal cigarettes via the Budget 2021 announcement. It is noted that significant enforcement and excise reform is needed to secure a sustainable tobacco and vaping framework for the industry.

CORPORATE HIGHLIGHTS

DECEMBER 2019

JANUARY 2020

- British American Tobacco Malaysia Chinese New Year celebrations with employees



FEBRUARY

- Financial Analyst Briefing on Fourth Quarter 2019 Financial Results

MARCH

- BAT p.l.c. unveils new Corporate Brand and Purpose of A Better Tomorrow™
- BAT Malaysia 'works from home'



APRIL

- Virtual energisers hosted throughout the month of April to drive connection, motivation and energy for all employees



MAY

- Virtual Financial Analyst Briefing on First Quarter 2020 Financial Results

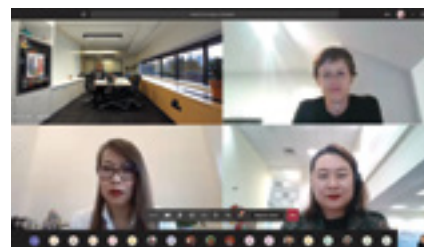
JUNE

- Virtual British American Tobacco Malaysia 2019 59th Annual General Meeting



JUNE (CONTD.)

- Rise Up. Create an Impact. Women in Leadership panel discussion with senior female leaders within BAT Group



JULY

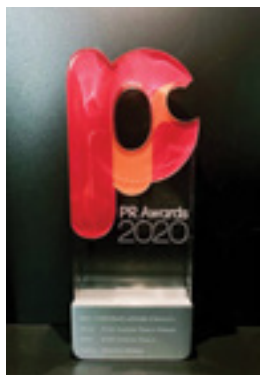
- Launch of KYO
- Virtual Financial Analyst Briefing on Second Quarter 2020 Financial Results
- Launch of "Stop the Black Market campaign"



CORPORATE HIGHLIGHTS

AUGUST

- BAT Malaysia Reboot. Organisation-wide virtual event to launch new company strategy
- Silver Award in the Best Corporate Affairs Strategy category at PR Asia Awards 2020 for “Sampai Bila” campaign
- Awarded TalentCorp’s LIFE AT WORK 2019 Awards for Best International Organisation and Best Outstanding Practice – Initiative for Women Workforce
- Donation of 986 digital assets to SOLS TECH to digitally empower underprivileged communities



SEPTEMBER

- Silver Award at the prestigious International ARC Awards 2020, for BAT Malaysia’s 2019 Annual Report, in the Traditional Annual Report (Food and Consumer Packaged Goods) category



OCTOBER

- Received Leadership in Energy and Environmental Design (LEED) certification for BAT Malaysia’s head office in Guoco Tower
- Launched Say No to Unnecessary Single Use Plastics Campaign
- MSWG-ASEAN Corporate Governance Awards – Excellence Award in the Top 100 Companies for Overall Corporate Governance and Performance, and Industry Excellence Award for Consumer Products and Services
- Virtual Financial Analyst Briefing of Third Quarter 2020 Financial Results



NOVEMBER

- BAT Malaysia Run Home Organisation-wide virtual event to close 2020 and ensure fast start for 2021
- Dunhill Full Range Pack Upgrade



DECEMBER

- Partnered with My Kasih to distribute food aid to economically vulnerable families in Perak, Pahang and Kuala Lumpur



IN THE NEWS



Read more
BAT Malaysia's News and
Features here

英美烟草“停止黑市”巴士走透透

英美烟草马来西亚有限公司 (BAT Malaysia Bhd) 日前启动“停止黑市” (STOP THE BLACK MARKET) 巴士，即日起至今年12月在巴生河流域各地穿梭行驶，主要传达马来西亚人民对香烟黑市的认知及呼吁关注黑市的严重性。

这些特定的巴士被包装成亮丽夺目，印上令人格外吸睛的“STOP THE BLACK MARKET”社会信息。

英美烟草(马)有限公司董事经理佐纳顿说，这项活动将聚焦于影响马来西亚经济增长的严重问题，特别是被忽视已久的烟草黑市问题，它已令大马政府每年损失53亿令的未收税款。

图为佐纳顿与特定的巴士合影。



BAT Malaysia hits the street with 'Stop The Black Market' bus

By NST Business - October 2, 2020 @ 5:17pm



'Resolute' enforcement vital in addressing illicit tobacco sales

Kang Siew Li / The Edge Malaysia
November 23, 2020 18:00 pm +08

British American Tobacco (Malaysia) Bhd (BAT) MD Jonathan Reed says that action by the government cannot come soon enough given that the tobacco black market remains a significant threat to the sustainability of the group.

"For the quarter ended Sept 30, 2020, illicit cigarettes made up 65% of total cigarette consumption in the country, representing an annual RM5 billion loss in tax revenue for the government," he says.

Reed adds that it is important to note that the tobacco black market crisis is largely due to affordability pressure on smokers since the 40% tobacco excise increase in 2015.

Vaping market to be subject excise duties and tax soon

STRAITS TIMES

"This must also be paired with strong enforcement of these new policies to ensure there will be a reduction in the entry of illicit cigarettes in Malaysia. Currently, the average price of illicit cigarettes is about RM4 to RM6 per 20-stick pack, which is still at a significant gap from the average lowest priced legal cigarettes at RM20.50 per pack," he tells The Edge.

Reed says since the start of the pandemic, PMM has implemented business continuity plans to support the supply of its products across the markets where it operates.

"We acknowledge the increasing efforts by the government in tackling the illicit trade of cigarettes. Nevertheless, the illicit trade and Covid-19 resurgence have made the business environment more challenging

for us. As such, we are taking bold measures in reviewing our business and commercial activities to ensure the continued access of adult smokers to better alternatives such as IQOS," he says.

"Since its launch in Malaysia back in November 2018, we have continued to put significant focus on IQOS, our heat-not-burn (HNB) device, which has seen steady growth in its uptake among adult smokers in Malaysia through the quarter ended Sept 30, 2020."

IQOS data shows that PMM recorded a 1,000% y-o-y jump in net profit to RM10.1 million in FY2020, an increase of 67% y-o-y to RM10.1 million.

"We believe this signals, first and foremost, an increasing need for better alternatives to cigarettes for the adult smokers in Malaysia who seek alternative

continue smoking. It adds that a of its electronic IQOS manufactured in 1 supplier who has 10 suppliers for its market since 2015, due to its status as a global and electronic major global player in the country and gateway to the global market.

While it adds that for the government to curb the illicit trade, it is important to note that the tobacco black market crisis is largely due to affordability pressure on smokers since the 40% tobacco excise increase in 2015.

Presiden COVID-19

Firma tembakau hasil vaksin COVID-19

British American Tobacco teroka peluang kerjasama untuk kajian klinikal

Oleh Alzahrah Alias
zahrah@bb.com.my

British American Tobacco (BAT) mengumumkan penyediaan bagi menghasilkan vaksin untuk COVID-19.

Vaksin dihasilkan anak syarikat BAT, Kentucky BioPro-



sebagai operasi komersial, namun penghasilan vaksin itu akan dijalankan secara tidak berseksan keuntungan.

Vaksin dalam pembangunan dan penyelidikan (R&D) itu, katanya, menggunakan teknologi tumbuhan tembakau yang mempunyai beberapa kelebihan berbanding pengedaran teknologi vaksin konvensional.

"Ita berpetang lebih selamat membandingkan tumbuhan tembakau tidak dapat menjadi tuan rumah patogen yang menyebabkan penyakit manusia.

BAT shares smoking hot

Move to curb illicit cigarette trades boon to the group

BRITISH AMERICAN TOBACCO (BAT) shares rose in the London stock market on Tuesday, after the company announced a move to curb illicit cigarette trades.

The company said it had launched a campaign to reduce the volume of illicit cigarettes in the market, which it said was a significant threat to its sustainability.

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CONSUMER

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BAT WINS SILVER FOR 2019 ANNUAL REPORT

Conscious decision made to develop reader-friendly, engaging narrative, says MD

KUALA LUMPUR

BRITISH AMERICAN TOBACCO (BAT) has won the 2019 Annual Report award for its 2019 Annual Report, which was published on October 2, 2020.

The award was presented by the International Accounting Standards Board (IASB) and the International Financial Reporting Standards (IFRS) Foundation.



British American Tobacco (BAT) has won the 2019 Annual Report award for its 2019 Annual Report, which was published on October 2, 2020.

The publication of the 2019 Annual Report allows BAT to highlight the benefits of its tobacco black market

strategy of the company's portfolio, which also highlights the business issues in an interesting

The virtues of BAT Malaysia's award winning annual report



BAT Malaysia head office now LEED certified



KUALA LUMPUR (BB) - British American Tobacco (M) Bhd's (BAT Malaysia) head office in Gurney Tower, Damansara, has received Leadership in Energy and Environmental Design (LEED) certification.

In a statement today, BAT Malaysia said what stands out is the firm's commitment to create an office environment that is not only environmentally friendly but also optimised for the welfare and well-being of its employees.

BAT Malaysia said as a benchmark for the design, construction and operation of high-performance green buildings, LEED is the most widely used green building rating system in the world.

IN THE NEWS

Speak up against tobacco black market: BAT Malaysia

By **NST Business** - June 15, 2020 @ 4:27pm



BAT rises on Budget 2021 announcement on illegal cigarettes crackdown

by **STOCK MARKET**

BRITISH American Tobacco (Malaysia) Bhd (BAT) is poised to benefit from the Budget 2021 announcement on the government's commitment to curb the illegal trade of cigarettes, says RHB Research Institute Sdn Bhd.

RHB has upgraded the counter to a 'Buy' with an increased target price (TP) of RM41 from RM36.00 which translates into an 8% dividend yield for the stock.

BAT rose 2% on a 74% to RM36.00 at close yesterday. RHB analyst Soong Wei Siang noted that the government's intention to address issues surrounding the illegal tobacco trade can turn the BAT business and give the company a compelling risk-rewarding factor.

"This can be a turning point for the company, as we believe cigarette manufacturing is a key channel for illicit trade," he said.

According to Soong, unless com-



BAT's Q3 performance is overshadowed by the growth of the tobacco and vaping black market, which grew from 68% to 70%.

the livelihood of the tobacco industry. The Multi-Agency Task Force and lighted the imposition of excise

include ineffective execution from enforcement authorities, as well as competition within the industry that is strong.

BAT recorded a net profit of RM8.71 million, up 76.7% year-on-year (YoY) for the third quarter ended Sept 30, 2020 as revenue increased 14.8% YoY in the same period to RM627.7 million.

BAT declared a dividend of 20 sen per share, bringing its cumulative dividend for the nine months ended Sept 30, 2020 to RM0.70 to 70 sen.

In its filing to Bursa Malaysia on Oct 26, BAT's year-to-date (YTD) performance is overshadowed by the growth of the tobacco and vaping black market, which grew from 68% to 70%.

It pointed out the growing concern over the tobacco black market that has also been increasing over the past quarter from 68.7% to 69.7% share of the total market.

Illicit cigarette trades locked roughly RM80 million in loss for the government in revenue for the

Prestasi BAT Malaysia meningkat

Kuala Lumpur: British American Tobacco (Malaysia) Berhad (BAT Malaysia) mencatatkan pertumbuhan bagi suku ketiga

Firm launches anti-black market tobacco campaign

BAT Malaysia named progressive workplace for women workforce

BAT Malaysia recognised as progressive workplace



BRITISH American Tobacco Malaysia Berhad (BAT Malaysia) centre set up in the prestigious LIFE AT WORK Awards, emerging as Best International Organisation and Outstanding Practice - Initiative for Women Workforce.

The LIFE AT WORK Awards are organised annually by the Ministry of Human Resources (MHR) through its agency, Talent Corporation Malaysia Berhad (TalentCorp) and in collaboration with the Ministry of Women, Family and Community Development (KPKWKM) to celebrate organisations whose leading workplace strategies demonstrate a drive and commitment to not just recruiting but nurturing and cultivating local talents in the workforce. BAT Malaysia beat its other international counterparts within its category to take home the much-coveted accolade of Best International Organisation.

BLACK MARKET IMPACT

BAT Malaysia's Q3 profit from operations rises to RM88m

KUALA LUMPUR: British American Tobacco (Malaysia) Bhd's (BAT Malaysia) profit from operations for the third quarter ended Sept 30 rose six per cent to RM88 million compared to the preceding quarter while revenue increased 15 per cent to RM628 million.

Domestic industry volume increased by seven per cent from the second quarter, driven mainly by volume recovery following the easing of the Movement Control

robustly positioned portfolio in the value-for-money segment that includes the introduction of the KYO brand, which has recorded a positive share of market since its launch," he said in a statement.

BAT Malaysia's market share stood at 52.5 per cent, driven by KYO and reinforced by Dunhill's consistent leadership within the premium segment.

However, its year-to-date performance is facing a serious impact from the ram-

BAT initiates campaign to fight illegal cigarettes

PETALING JAYA: With its performance under pressure from cheaper illicit cigarettes, British American Tobacco (Malaysia) Bhd (BAT) has launched a nationwide campaign to intensify its fight against contraband tobacco in Malaysia.

Launched yesterday, the campaign, called "Stop the Black Market", would draw attention to the seriousness of the tobacco black market. It would also invite Malaysians to share their thoughts on curtailing this crime.

help tackle the problem of illicit cigarettes.

In a statement, BAT noted that today, 62% of the total tobacco market in Malaysia belongs to criminal gangs, and the country is now ranked No. 1 in the world for illegal cigarettes.

As well as impacting the country's reputation, the tobacco black market accounts for RM5.3 billion in excise tax losses each year. It also has other negative implications, the tobacco manufacturer said.

ket is far-reaching as it affects legal businesses and the lives of all Malaysians.

"We applaud the hard work done by law enforcement agencies recently and we hope that these efforts continue to pressure the syndicates operating in this black market. However, enforcement alone is not enough to address this issue.

"More attention needs to be drawn to the severity of the issue and Malaysians should have an avenue to voice their concerns,

The first step to tackle tobacco black markets has begun

BAT Malaysia's efforts receive regional recognition



Grow Combustible Value

- 35 Premium Segment
- 36 Aspirational Premium Segment
- 37 Value-for-Money Segment

PREMIUM SEGMENT

We will deliver long term sustainable growth by deploying our winning Global brands to meet the evolving needs of the adult nicotine consumers. In 2020, BAT Malaysia delivered a strong share growth, and thus reinforced our leadership position in Malaysia.

This was achieved via a strategic and well-positioned portfolio across all key consumer segments:

- **Dunhill** - strengthened Premium leadership and position as the number 1 brand in Malaysia
- **Rothmans** - innovations to drive growth in the Value-for-Money segment
- **KYO** - strong entry to the Value-for-Money (VFM) segment with a focused role in the moderation space

Our focus is to continue share growth momentum in combustible 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.

DUNHILL

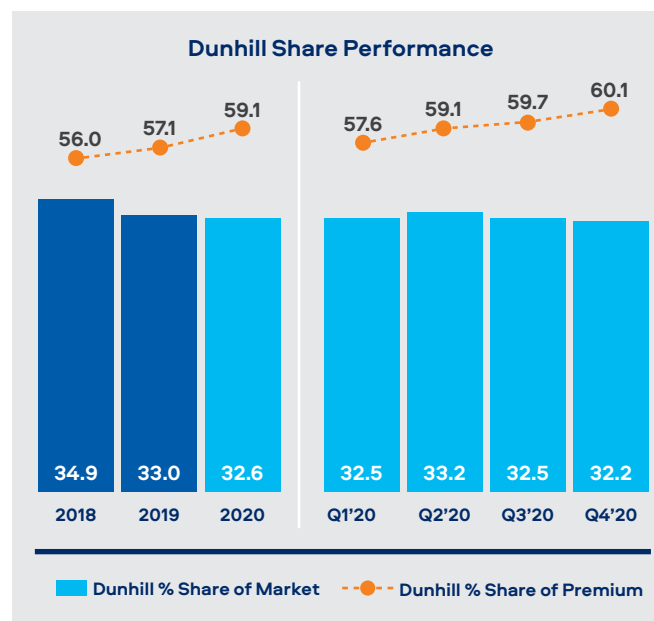
STRENGTHENING PREMIUM LEADERSHIP

Dunhill continues to strengthen its position as the leading Premium brand in Malaysia, delivering a growth of +2ppt to 59.1 percent of the Premium segment. This was accomplished by reinforcing Dunhill's position as the benchmark brand for taste, quality, modernity, and innovation.

Dunhill Classic drove the brand's growth by leveraging on its legacy as the number 1 SKU in Malaysia and winning in consumer moments.

The rest of the Dunhill range underwent a brand update in November 2020. The brand re-stage puts forward a new progressive expression of the new Dunhill range globally.

All these endeavours stabilised Dunhill's market share performance and grew Premium share.



ASPIRATIONAL PREMIUM

SEGMENT

Peter
Stuyvesant

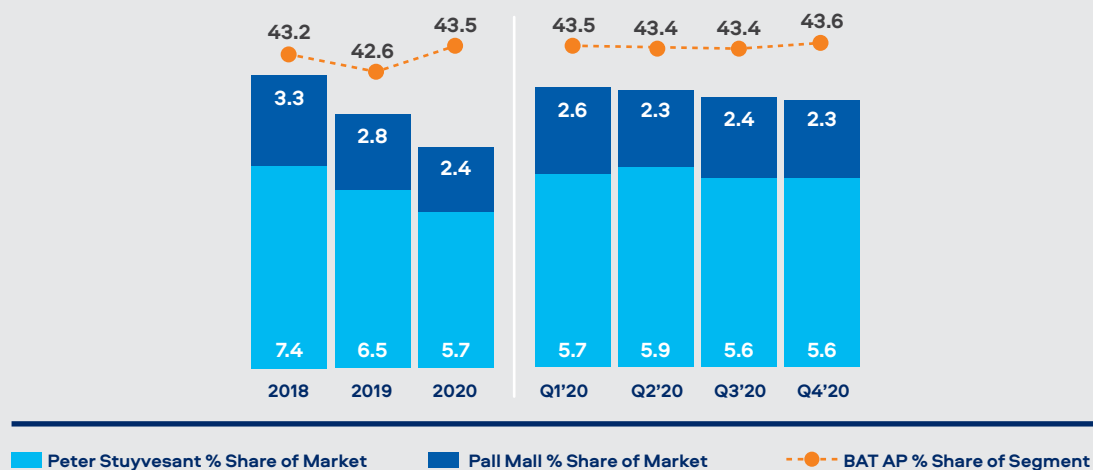
PALL MALL

RESILIENT IN ASPIRATIONAL PREMIUM

BAT Malaysia's Aspirational Premium portfolio saw growth and share of segment in 2020.



Peter Stuyvesant and Pall Mall Share Performance



VALUE-FOR-MONEY SEGMENT

Rothmans

CONTINUOUS GROWTH ACROSS ALL RANGES

Rothmans continued to be a key growth driver for the company in 2020, at +2ppt growth in market share compared to the previous year, corresponding to growth in the rapidly expanding VFM segment.

Whilst growth was seen across the entire product line-up, innovations in the sensations range led the growth momentum. Most notably, Rothmans Purple is now the largest novel capsule SKU in VFM at 1.1 percent share of market, an increase of 0.6ppt as compared to 2019. Rothmans Hokkaido Mint Menthol and Hokkaido Mint Boost too, saw a growth of 0.5ppt versus 2019.



KYO

BREAKTHROUGH IN THE VFM SEGMENT VIA NEW BRAND LAUNCH

Launched in July 2020 to boost competitiveness in the rapidly expanding VFM segment, KYO was able to complement Rothmans' growth and made a strong entry into the segment. This was achieved by a strong brand positioning via modernity and moderation cues. KYO which translates to "NOW" in Japanese, was designed in Japan and represents a brand that is ahead of the curve.

The brand debuted 2 SKUs, KYO Original and KYO Silver which features a charcoal filter.

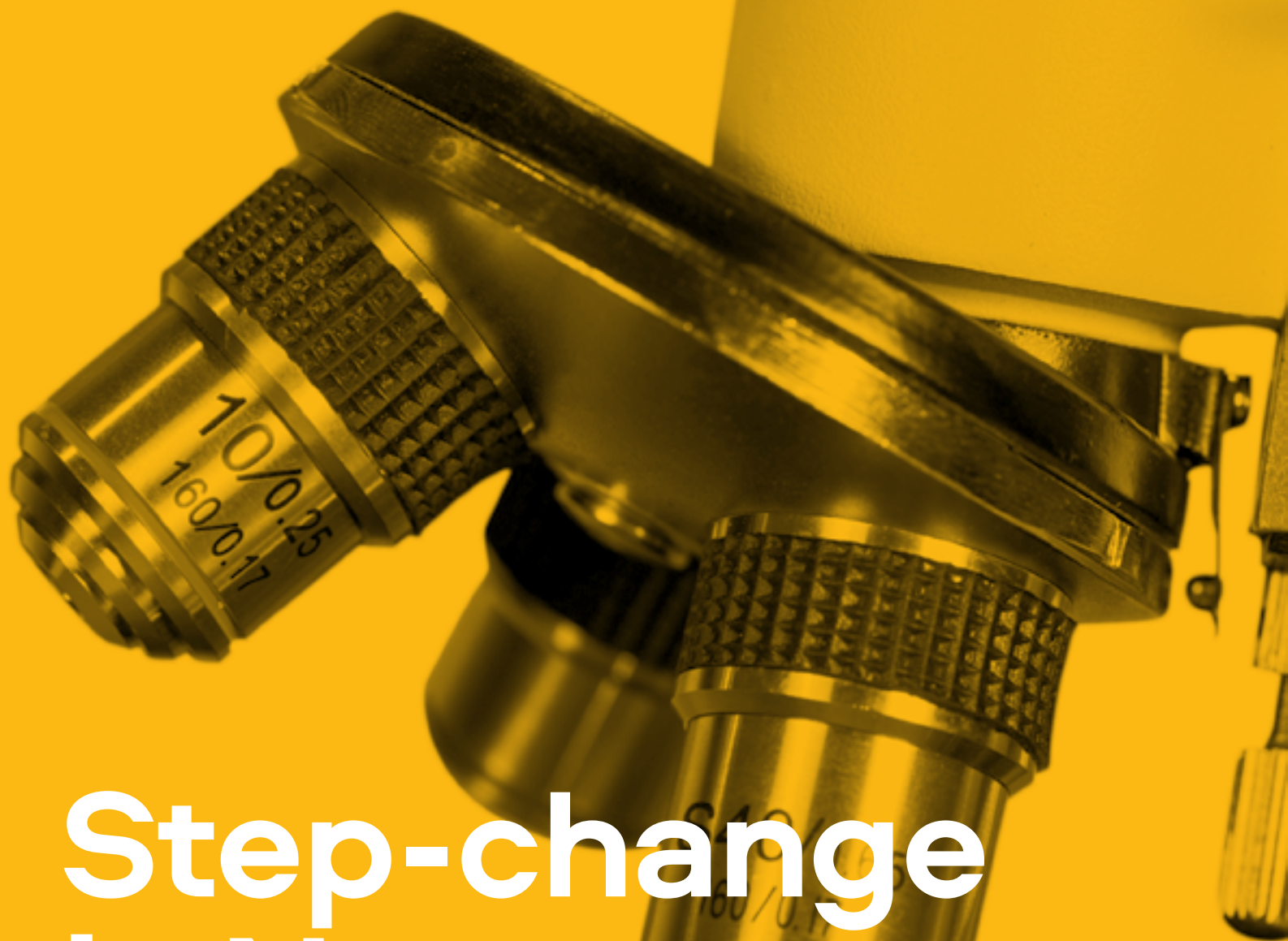
Since its launch, KYO's performance has been exceptional, exiting the year at 2.5 percent market share and contributing to +4ppt growth in the VFM segment. KYO is now the number 1 Consideration brand in key markets like Penang and Ipoh.



Rothmans and KYO Share Performance



(Source: Ipsos Retail Audit 2020 vs 2019, Kantar Consumer Track)



Step-change in New Categories

39 Reduced-Risk Products*

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

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.

To accelerate the growth of our New Category business, our New Category product portfolio consists of three global brands: VUSE for vapour products; VELO for modern oral products and glo™ for tobacco heating products. BAT Malaysia has taken steps to introduce glo™ in the market, but, as of 2020, the consumer demand for tobacco heated products remained small and the category outlook is limited.



There is a growing and sizeable vapour consumer base in Malaysia. The Ministry of Health's National Health and Morbidity Survey estimated in 2019 that there are 1.12 million vapers in Malaysia. The Study on the Malaysian Vaping Industry by the Malaysian Vape Chamber of Commerce values the industry at RM2.27 billion.

Budget 2021 signalled the Government's intention to move in the direction of legalising vaping with the introduction of excise on vaping devices and liquids. Currently, the taxation framework for vaping liquids only covers liquids without nicotine. However, in Malaysia, the majority of the vape e-liquids sold contain nicotine.

A robust regulatory framework with clear quality controls is needed for the entire vape industry, including nicotine e-liquids. This would not only ensure that Malaysian consumers have access to products of known quality but would also 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.



Read more about **The Study on the Malaysian Vaping Industry** here



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

A Smarter and Simpler Organisation

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A SMARTER AND SIMPLER ORGANISATION

As part of our drive for A Better Tomorrow™ BAT Malaysia is streamlining our business processes and ways of working to drive efficiency and effectiveness. By automating our processes and embedding digital capabilities through data and e-learning, we are delivering more efficient ways of working, agile supply chains and enhanced consumer connections. Our aim is to continue to manufacture and deploy superior products and experiences to our consumers, eliminate losses to release funds for investment and create opportunities for all our employees to perform at their best.

EMBRACING DIGITAL TRANSFORMATION

BAT Malaysia embraced digital transformation in 2020 by offering new ways to collaborate, extract value from business data and drive better customer experiences. Highlights include:

- **Business Empowerment**

The launch of analytics tool 'Power BI' empowered the business with sharper analysis and enhanced commercial insights. This has successfully reduced effort and time spent in manually compiling data by 40 percent. With this increasingly powerful consumer data and analytics, we will be able to anticipate and satisfy our ever-evolving customer and consumer needs.

We also continued to automate our processes using 'Alteryx', which is a specialised tool for self-service analytics by bringing together customer data from all channels and systems into an automated analytic workflow. With more efficient data processing, the reduction in insights efforts enables our teams more time to make sharper decisions and drive value for the business.

Another key achievement in driving our digital transformation agenda is the implementation of single repository for raw and structured data. Through the consolidation of analytics, the business can now access a wide berth of data from a single repository to harness actionable insights.

- **Speed to market**

As customer and consumer preferences and technology evolve rapidly, we are collaborating with the BAT Technology Hub located in Kuala Lumpur to identify opportunities for growth. In particular, we are transforming our route to market and route to consumer infrastructure to ensure that we are better able to service our customers and consumers.

- **Working in a COVID-19 environment**

BAT Malaysia staff were able to operate effectively from home during the restrictions brought about by COVID-19. Our Information and Digital Technology (IDT) team ensured that the organisation was able to connect via Microsoft Teams through an upgraded bandwidth network. Virtual meetings were successfully held including the first virtual 59th Annual General Meeting. We continue to innovate in technology to mitigate any potential disruption to our business.

OPTIMISING OUR SUPPLY CHAIN

BAT Malaysia continued to drive towards a more effective and efficient supply chain model in 2020.

Our drive to be simpler and smarter delivered the successful launch of KYO. KYO was the fastest project launched during an incredibly challenging period, a true testament of the team living our ethos of bold, fast, empowered, responsible and diverse.

Productivity highlights

1. Increased efficiency in the supply chain via the introduction of Performance, Accuracy, Compliance and Efficiency (PACE) Programme in April 2020. PACE is a cross functional collaboration between Procurement, Finance, Legal and External Affairs, Global Business Solutions and IDT to transform BAT's end-to-end buying experience, building our capabilities to reinforce our digital DNA.
2. Continuous improvement and savings identified across all aspects of Operations and Supply chain.
3. Innovation in planning supply chain routes to ensure goods delivered on time and in full despite various Movement Control Orders in effect.



Continued product related cost optimisation initiatives led to

savings of
RM6 million
during the year

30% reduction
in project costs

as compared to 2019 through improvement in forward planning and innovative ways to optimise project materials

Indirect*
savings of
RM9.2 million
due to an efficient sourcing system

*Indirect: expenditures not related to cigarette products



33% savings

in logistic costs from simplifying our distribution routes in the complex geographical landscape of East Malaysia



30% reduction

of number of tender exercises and achieving optimal spend by appointing vendors at fixed rates for longer contract duration



Automated reporting tool resulting in

70% reduction
of supply chain man hours

This tool was ultimately rolled out to other BAT entities in Asia Pacific Region.




Digital automation of the clearance process

for finished goods resulting in 45 percent reduction of time spent on manual processing resulting in a smoother and expedited transition from Port to Central Warehouse

OPTIMISING OUR SUPPLY CHAIN

Delivering in a challenging environment

Through the various Movement Control Orders, we were able to maintain high service levels to our customers. We achieved this by working with alternative suppliers, leveraging technology and tapping into our people's innovative mindset. These strategies resulted in operational efficiencies across the following areas:

99.5% 
Forecast Fulfilment Rate
(A measure of stock availability at distributors level)

Efficient supply chain enabling
a record brand launch time

33% faster
than any launch in the past



To support delivery of materials,
contingency vendors were sourced
and appointed resulting in no loss in
conformance to

**production
standards and qualities**



Start-up of Johor Bahru Factory with

**zero
downtime**

despite 8 weeks of shutdown during MCO



All employees provided with

**Personal Protective
Equipment (PPE)**

by leveraging global partners



Despite the MCO,

**zero
supply chain
disruption**

from material suppliers to source factory to port
to central warehouse



Explored and implemented
alternative solutions

**leveraging global
business partners**

to manage a cost avoidance of RM1.7 million
to the business





Sustainability

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SUSTAINABILITY

STATEMENT

Sustainability is key to the delivery of BAT Malaysia's A Better Tomorrow™ purpose.



Sustainability Governance

In BAT Malaysia, we hold firmly to the principles of ethical conduct to ensure our business is conducted with integrity in line with industry best practices as well as applicable rules and regulations. Sustainability matters are within the purview of the Corporate Social Responsibility (CSR) Committee which comprises members of the Leadership Team and is chaired by the Managing Director. This Committee reports on sustainability matters to the Board of Directors via the Audit Committee.

Sustainability Framework

The Company has a sustainability framework in place which focuses on creating value for shareholders and stakeholders in four key areas – community, workplace, environment and marketplace. Our sustainability framework is aligned to Bursa Securities' CSR Framework which acts as a guide for public listed companies in Malaysia. It is also aligned to the Statement of Business Principles of British American Tobacco p.l.c. Group.

SUSTAINABILITY STATEMENT

Engagement with Stakeholders

Maintaining open dialogue with our key stakeholders is vital to building A Better Tomorrow™. Our stakeholder universe comprises of regulators, consumers, employees, investors, community members, business associates, NGOs and the media.

Working with stakeholders improves our ability to address priorities and key business issues. We strive to engage with our stakeholders respectfully in an efficient, knowledgeable and responsive manner. We use a range of platforms to engage with stakeholders.

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

SUSTAINABILITY STATEMENT

Stakeholders	Engagement Platforms	Issues	How We Addressed
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 latest regulations and standards • Empowering underprivileged and economically vulnerable communities • Providing fair participation in the digital world whilst reducing e-wastes • 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 trainings 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 • BAT Malaysia donated more than 986 digital assets to SOLS TECH for distribution to underprivileged communities. • Partnered with SOLS TECH's zero-waste programme to recycle more than 5,500 kg of e-wastes • BAT Malaysia contributed RM100,000 to assist underprivileged students pursuing tertiary studies through a partnership with Great Vision Association.

MATERIAL MATTERS

MATERIAL MATTERS

BAT Malaysia has identified five material matters which are most important for the sustainability of the business. This was determined following engagement with various stakeholders, namely shareholders, employees, consumers and suppliers as well as assessing the current or potential impact on the Company. The material matters are:



MARKET PLACE

Tobacco Black Market
Illegal Vapour Products
Regulatory Developments



ENVIRONMENT



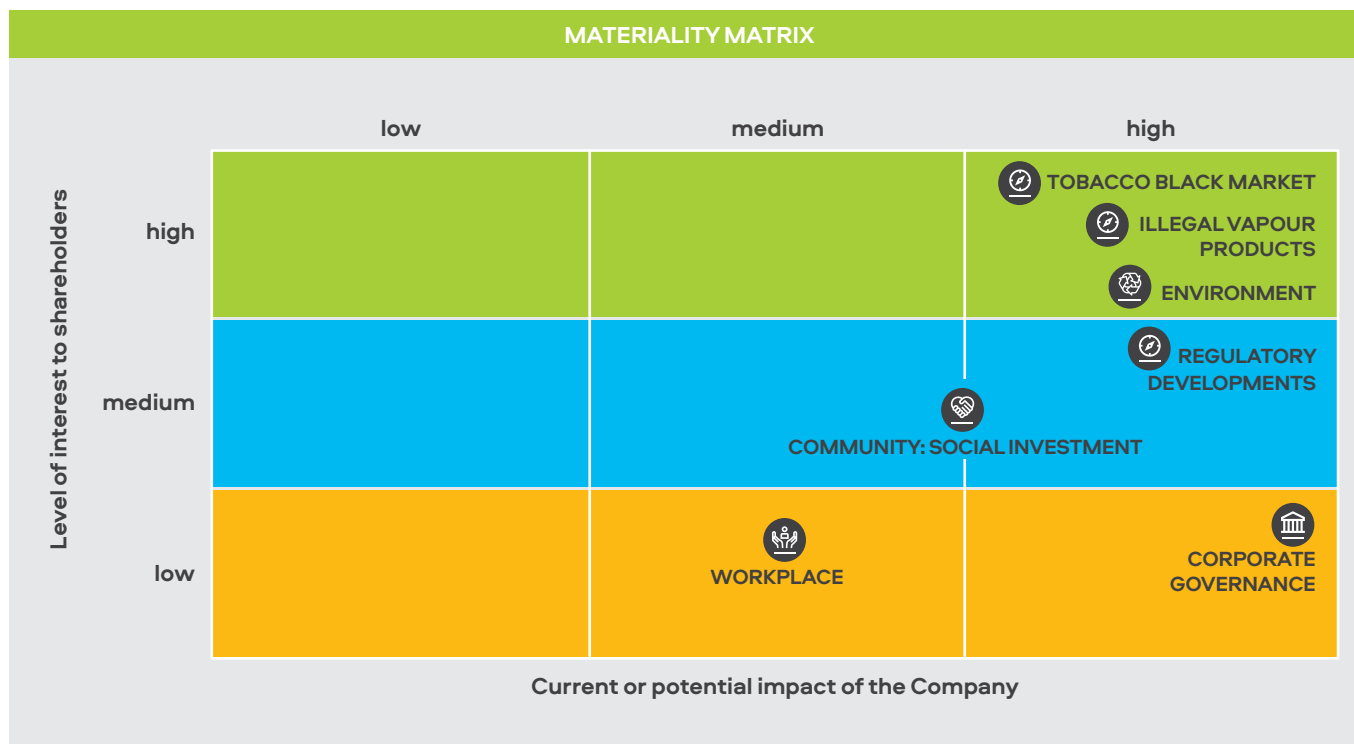
WORKPLACE



COMMUNITY: SOCIAL INVESTMENT



CORPORATE GOVERNANCE



Disclosure Scope and Boundary

The Sustainability Statement covers British American Tobacco (Malaysia) Berhad and its wholly owned subsidiaries:

1. Commercial Marketers and Distributors Sdn. Bhd.
2. Rothmans Brands Sdn. Bhd.
3. Tobacco Importers and Manufacturers Sdn. Berhad

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



Tobacco Black Market

The rampant availability of illegal cigarettes is by far the biggest challenge faced by the legal cigarette industry. Illegal cigarettes have the largest market share in the Malaysian cigarette market at the expense of legal manufacturers. Malaysia was recently identified by Euromonitor International as having the world's largest tobacco black market. These illegal cigarettes comprise largely smuggled brands that are not associated with legitimate cigarette manufacturers in Malaysia.

According to Nielsen's Illicit Cigarettes Study (ICS), the illegal cigarette trade remained high at 63 percent of total market share in 2020. This is despite tighter enforcement by authorities. The tobacco black market alone causes the Malaysian government to lose RM5.3 billion annually in uncollected taxes.

Black market tobacco traders also fail to comply with Ministry of Health regulations including no health warnings, no product standards and tar and nicotine levels exceeding mandated legal limits. Nor do these criminal syndicates care about the age of their consumers. The majority of respondents to a recent survey believe that the abundance of cheap illegal cigarettes is contributing to Malaysia's increasing youth smoking incidence. This rising youth smoking rate is at odds with Malaysia's peer countries.

In our effort to draw attention to the seriousness and negative consequences of the tobacco black market in Malaysia, BAT Malaysia ran a nationwide "STOP THE BLACK MARKET" campaign in 2020. Numerous activities were undertaken including surveys. These surveys gauged the thoughts from Malaysians on the issue.

Key results from the polls include:

- 67% believe the black market, of which illegal tobacco is a significant component, is at a crisis levels, severely impacting Malaysia's economy;
- 97% want the government to take immediate action against the tobacco black market, which contributes to more than RM5 billion losses in uncollected taxes every year;
- 64% believe that the high price of goods, including cigarettes, is a key factor driving people to the black market; and
- The top two solutions to address tobacco black market are:
 - (1) reducing the price differential between legal and black-market products (35%)
 - (2) greater collaboration between law enforcement agencies (29%)



stoptheblackmarket



Find out more about the **Stop the Black Market** campaign here



MARKETPLACE



BAT Malaysia also launched a Stop the Black Market bus to draw attention to the severity of the issue. The bus travelled to various locations throughout the Klang Valley and engaged millions of Malaysians.

The severity of the tobacco black market was highlighted during the tabling of the 2021 Budget. Key announcements were made to tackle this issue, including the limitation of transshipment and the strengthening of enforcement activities.

However, it is important to note that the tobacco black market crisis is largely due to affordability pressure. We believe enforcement alone will not solve this crisis. An effective fiscal measure that acknowledges the affordability issue must be considered by the Government.

Illegal Vapour Products

In addition to the rise in illegal cigarettes, the year under review also saw an increase in illegal vapour products. According to the Ministry of Health's National Health and Morbidity Survey 2019, there are currently 1.12 million vapers in Malaysia. As there are no regulations in place, the entire vapour market remains illegal.

For the vapour landscape, the announcement made during the 2021 Budget to impose excise duty on vapour products is a step in the right direction. However, the excise regime currently applies only to device and e-liquid with non-nicotine. In the local market, majority of the e-liquids sold contain nicotine and this is a similar trend seen in other countries. Clear regulations are needed for the overall vapour industry, including for e-liquids with nicotine, in tandem with consumer needs.

BAT Malaysia looks forward to leading a discussion around the establishment of an appropriate regulatory framework for nicotine vaping.

Regulatory Developments

We have always been clear that we support regulation that is based on robust evidence and thorough research, delivers on the intended policy aims and at the same time, allows businesses to operate and be competitive in the marketplace.

In the current operating landscape of the Malaysian tobacco industry where tobacco black market dominates the total marketplace, it is critical for the government to ensure any regulations introduced will not exacerbate tobacco black market further.

In 2020, the government announced some changes to the Control of Tobacco Products Regulations 2004. Key changes include:

- revised minimum retail selling price per packet of cigarettes from RM10.00 to RM12.00;
- introduced new minimum retail selling price of cigar at RM12.00 per packet; and
- made amendments to definitions of tobacco products.



ENVIRONMENT

Environmental policies

BAT Malaysia is committed to reducing our environmental impact across our operations and supply chain. Our Environment Policy is supported by a comprehensive EHS management system which has been in place for many years and is based on international standards including ISO14001.

In addition, we adhere to British American Tobacco p.l.c.'s Global EHS Policy requiring that we:

1. Comply with all applicable national and international laws and regulations affecting their business activities;
2. Establish procedures for assessing and reviewing the environmental, health and safety impacts of present and future activities on a regular basis; and
3. Continually seek to identify proactive and cost-effective measures which it can take to safeguard the health and safety of its employees and non-company personnel on company premises and the physical environment.

We measure our impact in respect of two indicators – energy consumption and water consumption.

On a year-on-year basis, we reduced our energy consumption, direct and indirect, in 2020 by 29 percent. The pandemic contributed to an overall reduction in energy usage due to lower trade activities especially restrictions in business travel.

We also made additional efforts to reduce electricity consumption at site offices and expanded the usage of hybrid and Energy Efficient Vehicles with telematics systems, to reduce fuel consumption.

Water consumption in 2020 decreased by 9 percent compared with 2019. This was the result of water saving initiatives enforced in all site offices and warehouses.

	2019	2020	2020 vs 2019	%
Energy (GJ)	33,295	23,789	-9,506	-29%
Water (m ³)	1,275	1,161	-114	-9%

BAT Malaysia's head office was also awarded Leadership in Energy and Environmental Design (LEED) certification in 2020. Key features built into BAT Malaysia's head office that earned the coveted LEED certification included:

- Enhanced indoor air quality
- 30 – 40% savings in energy and water
- Reduced carbon emissions by 40%
- Reduced solid waste to landfills by 70%



Eliminating unnecessary Single Use Plastics (SUP) in our offices

Eliminating SUP is a key priority for BAT Malaysia. We took the first step towards achieving this target in 2020. In conjunction with World Environment Day, an internal awareness campaign was hosted featuring an exhibition focusing on the impact of SUP to the environment along with a pledge activity, with employees pledging to limit SUP use within the office.





WORKPLACE

Health and Safety

The health and safety of our employees is a top priority for BAT Malaysia. We will continue to develop our people, systems and processes to manage risks, build resilience and achieve continuous improvement in safety and sustainability performance.

COVID-19 response



**Developed stringent SOPs
from potential
COVID-19
infection**

2020 was a challenging year as far as the employees' health, working environment, and safety is concerned. BAT Malaysia responded swiftly to the pandemic, with the implementation of a business continuity management (BCP) plan across all operations.

Part of our strategy involved the EHS team constantly engaging with global and regional EHS teams, the Malaysian Ministry of Health, and the Department of Health & Safety to establish precautionary guidelines, BCP and standard operating procedures (SOP) for all business units. BAT Malaysia also developed stringent SOPs for all employees, contractors, and visitors whenever they were on site in order to ensure that employees are protected from potential COVID-19 infection.

In addition to ensuring prompt and clear communication to employees, the necessary personal protective equipment (PPE) was procured for all our people, especially for our Field Force, and travel was restricted in line with guidance from the relevant health authorities. Workplace exposure was also limited, with the institution of work-from-home arrangements, split teams and increased frequency of cleaning and sanitisation of premises.

As a result of the strict SOPs and precautionary guidelines being implemented throughout 2020, all business units, site offices, warehouses, and factories reported minimal disruption to the business due to COVID-19.

Zero accidents at the workplace

Driving effective EHS management for a zero-accident workplace is one of the top priorities of the Company. BAT Malaysia maintains a good health and safety record and has consistently reduced accidents across the business. As of 31 December 2020, BATM and its wholly owned subsidiaries, Commercial Marketers & Distributors Sdn Bhd and Tobacco Importers & Manufacturers achieved 804,785 man-hours or nine consecutive years without a Lost Time Injury since September 2011.

Near miss reporting

One of the best practices for workplace safety is for employees to alert and report near misses or unsafe acts happening within the office. Swift reporting ensures that future accidents can be avoided or eliminated by identifying hazards and also drives responsible behaviour among employees. The Company has a Near Miss Reporting programme and mobile app encouraging employees to play an active role in observing and alerting EHS teams of any unsafe conditions or acts and near misses at or around the workplace. As of 31 December 2020, a total of 142 near misses were reported, which prevented serious accidents from taking place.

Contractors EHS enforcement and reinforcement programme



**Ensuring EHS Awareness
among service providers since
MAY 2016**

In addition to employees, workplace safety is also dependant on third-party contractors who support our business. As such, a programme to elevate the level of EHS awareness among service providers was put in place since May 2016. The programme provides training to third-party contractors on seven essential modules – Fall from Height Hazards, Hot Work, Entrapment Hazards, Slip Trip and Fall Hazards, Chemical and Fumigation Safety, Vehicle Impact and Permit to Work.

Defensive driving course

Workplace safety extends to business travel particularly for employees who spend a considerable time on the road. Our Field Force employees face daily risks while on the road and while loading and unloading our products from their vehicles.

WORKPLACE

Apart from dealing with the inherent road safety issues, they also face security risks from carrying high value legal cigarettes.

Field Force employees are trained in defensive driving. This enables them to identify and assess potential road hazards and make sound decisions in cases of emergencies. They are also trained in basic vehicle safety checks, first aid and self-defence.

In 2020, due to the global pandemic, the defensive driving training platform was postponed to reduce risk of exposure. However, plans are in motion to take our defensive driving programme virtual in 2021.

Telematics monitoring of fleet vehicles



In 2019, the Company installed a telematics monitoring system for all fleet vehicles. This technology combines GPS technology and on-board diagnostics and helps us to better understand driver behaviour and adapt its processes and training for enhanced safety, cost management and route planning. Additionally, all company vehicles are equipped with a driving dashcam to monitor and to help with facilitating investigations for any accidents.

This intelligent system also allows us to reduce incidences such as speeding, harsh braking, harsh acceleration and idling. With close monitoring, BAT Malaysia is able to identify and re-train drivers where needed.

Health & safety training for new employees

It is compulsory for all new employees to undergo training on health and safety at the workplace as part of their orientation and induction course. This equips a new joiner with the knowledge and awareness on risk mitigation processes at the workplace premises or in the retail environment.

The topics addressed are those relating to common workplace accidents such as Slip Trip and Fall, Fire and Electrical Safety, Road Safety, Near Miss Reporting and Accident Reporting Procedures. In 2020, two training sessions were held for 30 new employees.

First aid training

The Company has frequent training programmes for First Aiders or Emergency Response Teams to ensure that they are equipped with the relevant knowledge to manage emergencies. First aid refresher courses are held every three years to maintain the skill and knowledge of the team.

Safety day



A Group-wide Safety Day was organised with 230 participants virtually, where we covered COVID-19 related topics to increase awareness of risks of exposure and prevention, both at the workplace and at home. This session was facilitated by our in-house Occupational Safety & Health consultant as well as our Health & Safety Manager.

The Company is proud that its consistent efforts to drive a high commitment to health and safety at work were recognised by the Malaysian Occupational Safety and Health Practitioners' Association ("MOSHHA") in 2020. The Company completed MOSHHA's Health and Safety Audit with full compliance. We also won the Gold Award for Retail and Wholesale of FMCG Product Category at the 16th MOSHHA OSH National Awards 2020.

Employee value proposition

BAT Malaysia respects and fosters a culture of diversity and inclusivity in our workforce. We do not tolerate discrimination against anyone on the basis of race, religion, and gender. We believe in promoting and developing a diverse workforce, as it brings with it a variety of complementary skills, experiences and perspectives, which will enhance our capacity to create value.



COMMUNITY: SOCIAL INVESTMENT

In BAT Malaysia, we recognise the importance of growing our business in a sustainable and balanced manner. We also encourage our employees to play an active role both in their local and business communities. This is tied to our strongly held conviction that our Company will be successful in the long-term by creating shared value for not only shareholders but for the communities in which we operate in.

Our social investments are guided by a Group Strategic Framework for Corporate Social Investment and our Standards of Business Conduct, setting clear and transparent standards to how we develop, deliver and monitor our community investment programmes in accordance with the United Nations Sustainable Development Goals.

Supporting families in need

2020 was a difficult year as the pandemic caused wide-spread disruption in everyday life and interruption to businesses across the world. In order to help alleviate the hardships brought on by the pandemic, we continued our partnership with MyKasih Foundation to support the B40 community in Malaysia. During the year, we reached out to 400 families in Perak, Pahang and Wilayah Persekutuan Kuala Lumpur. A total of RM200,000 has been invested in this programme, with each family receiving aid to purchase basic household needs for six months.

Empowering Students

We acknowledge that with quality education, tertiary students will be able to acquire the necessary skills and knowledge to build and secure their future. Last year, we began our partnership with the Great Vision Charity Association (GVCA), a non-profit voluntary charity organisation that emphasises the important role that education and awareness play in transforming our society. Under the Didik-Kasih Educare Programme, we have contributed RM100,000 to assist underprivileged students pursuing tertiary studies by providing them with a start-up assistance and monthly allowances to cover their living expenses.

Bridging the Technology Divide

BAT Malaysia strongly believes that accessibility to technology will have a positive impact in driving the Malaysian community forward. With this in mind, we continued our partnership with SOLS TECH, a non-profit organisation that collects, refurbishes and distributes donated computers and gadgets to underserved communities. In 2020, we donated 986 digital assets to SOLS TECH for distribution to underprivileged families, organisations and schools. Forming part of our initiative to take positive actions in ensuring a sustainable future, we have also leveraged on SOLS TECH's zero-waste platform to recycle more than 5,500 kg of e-wastes, comprising of laptops, printers, monitors and desktops.



Supported
400 families
during the COVID-19 pandemic



Donated
986 digital assets
to the underprivileged
communities



Recycled
>5,500 kg
e-wastes



CORPORATE GOVERNANCE

CORPORATE GOVERNANCE

Robust corporate governance is key to our sustainable long-term growth. We are committed to achieving our business objectives in an honest, transparent and accountable way, and sustaining a culture of integrity in everything we do.

Delivery with integrity



Our actions and behaviours impact all areas of our business, which is why robust corporate governance is such an important focus at BAT Malaysia. Our commitment to responsible corporate behaviour is underpinned by our Standards of Business Conduct (SoBC). The SoBC mandates high levels of integrity and requires staff, including senior management, and the Board, to comply with all applicable laws and regulations and ensure our standards are not compromised for the sake of results. We expect our contractors, secondees, trainees, agents and consultants to act in a way consistent with our SoBC and to apply similar standards within their own organisations.

Our SoBC make it clear that it is wholly unacceptable for the Company, our employees or our business partners to be involved or implicated in any way in corrupt practices. We ensure our SoBC are reviewed regularly to maintain best practice and to ensure employee and stakeholder feedback is taken into account.

Speak up channels



We encourage anyone working for, or with BAT Malaysia to raise any concerns relating to how we conduct our business through our Speak Up channels which are independently managed and available 24 hours a day online, by text or telephone. The channels can be used in confidence, and anonymously where preferred, and are available in multiple local languages.

Speak Up is promoted through staff training and communications and through our SoBC app and Supplier Code of Conduct. Our Speak Up policy makes it clear no one will suffer any direct or indirect reprisal for speaking up about actual or suspected wrongdoing, even if they are mistaken.

It is supplemented by local procedures throughout the Company, providing staff with further guidance on reporting matters and raising concerns, and the channels through which they can do so. We do not tolerate the harassment or victimisation of anyone raising concerns or anyone who assists them. Such conduct is itself a breach of our SoBC and a serious disciplinary matter.

Responsible marketing

Our International Marketing Principles (IMP) govern marketing across all our product categories and requires all our marketing to be responsible, accurate and not misleading, targeted at adult consumers, transparent and compliant with all applicable laws. Our IMP are applied consistently everywhere we operate, even when more stringent than applicable local laws.

We continually evolve our IMP to reflect developments in marketing, our product portfolio, technology, changing regulations and stakeholder expectations, and the Board approved a revised version of the IMP in 2019.

To support our strict requirement to only direct marketing at adult consumers, all BAT Group companies are required to adhere to our global Youth Access Prevention (YAP) Guidelines. These apply to all markets where our products are sold, including where distributed through third parties and include a mandatory requirement to provide retailers with point-of-sale materials with YAP messaging (unless prohibited by local laws). In 2020, 100 percent of the Company reported compliance.

Regulatory engagement

Truly effective regulation needs cooperation between governments and industry, and we have a legitimate role to play in policy-related debate that affects our business.

By conducting all our engagement with policy makers and regulators transparently and with high regard for accuracy and integrity, we can make a valuable contribution to policy development and help enable the best information to be used as a foundation for decisions in policy making.

Our Principles for Engagement have long provided clear guidance for our external engagement with regulators, policy makers and other third parties. In 2019, these were incorporated into a new Lobbying and Engagement Policy in our SoBC. The revised SoBC took effect from January 2020 and all lobbying and engagement activities across the Company are now subject to our SoBC compliance procedures.



Accelerating Tomorrow's Leaders

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ACCELERATING TOMORROW'S LEADERS

The quality of our people is key in delivering our purpose of A Better Tomorrow™. Launched in 2020. Our ethos is about being bold, fast, empowered, responsible and diverse in order to create a future-fit culture at BAT.

Developed with significant input from our employees, our ethos is the thread that must run through everything we do and; we believe it empowers our people, fosters a vibrant and rewarding workplace and promotes sustainable long-term value.



INVESTING IN LEADERS

The changing external environment means we have to accelerate the pace of our business transformation. We have to focus on driving a high performance work culture by developing the next generation of leaders; valuing the diversity of our employees; encouraging and rewarding entrepreneurial behaviour; and create an engaging culture where individuals and teams can be successful.

We want our people to be ambitious, courageous and resilient. We want them to learn quickly and be responsive to opportunities; and continue to drive and own results.

A NEW CHAPTER IN TALENT

In 2020, we strengthened our high-performance culture by introducing a new talent architecture. A key element of this, LEAP, fosters a culture of active coaching and development.



LEADERSHIP TRAINING

We continued to invest in leadership training for employees across all levels. With revamped content in 2020, our employees spent an average of 40 hours in workshops to upskill their leadership capabilities, and communication through sessions such as *Leading Self*, *Leading Teams*, and *Women in Leadership*.

DIGITAL LEARNING

Our Learning & Development (L&D) strategy, emphasizes on-the-job training, followed by direct coaching and classroom sessions.



We successfully transformed our L&D approach, culminating with the launch of two new digital learning platforms comprising:

THE GRID

"The Grid" is an intuitive, one-stop online platform that houses a myriad of learning content, catering to different development needs. The interactive user experience provides our employees with the option to learn on-demand, with full access to robust content including podcasts, videos and thought leadership articles. Today, the platform has achieved 100 percent sign up rate, and more than 70 percent are active users, and,

edapp.com BETTER MICROLEARNING

"Ed App" is exclusively for our field force. This innovative offering enables our field force to access learning content on the go, making learning easy and convenient. The app houses learning modules which are carefully created to build commercial functional capabilities.



INVESTING IN LEADERS

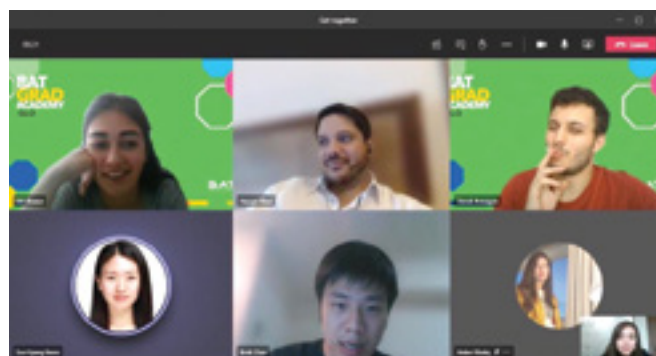
GLOBAL GRADUATE PROGRAMME

The Global Graduate Programme seeks out exceptional graduates and puts them through a robust talent and technical development plan for 12 months. At the end of the programme, graduates are hosted for two-weeks in London at the BAT Graduate Academy Camp (the Academy), providing them a valuable opportunity to engage with senior leaders of the organisation and networking opportunities amongst fellow Global Graduates.

This year, the Academy was hosted virtually with graduates accessing a dedicated microsite featuring networking opportunities with peers from other markets, engaging workshops conducted by experienced trainers, and challenging business simulations.

GROWTH ACADEMY PROGRAMME

Introduced in 2018, the Growth Academy Programme has been a staple in accelerating the development of our young field force talent. Over a 12-month period, this programme provides young talent a structured and holistic exposure to all commercial functions. The Growth Academy Programme has been a catalyst in promoting homegrown talent. In 2020, six employees graduated successfully from the programme into managerial roles within the Marketing function.



GROWTH THROUGH DIVERSITY

Diversity is a key element of our ethos at BAT Malaysia. We are committed to fostering a culture of diversity and inclusion where innovation, creativity and different ways of thinking are encouraged. The Company believes in promoting and developing a diverse workforce, as it brings with it a variety of complementary skills, experiences and perspectives, which will enhance our capacity to create value.

At BAT Malaysia we inspire diverse teams of committed and engaged people by:

1. Investing in our people
2. Attracting the best
3. Developing high-performing leaders
4. Offering a fulfilling, rewarding and responsible work environment

32% of employees across all management roles are females

33% of employees in senior management are females

50% of the Company's leadership team are female

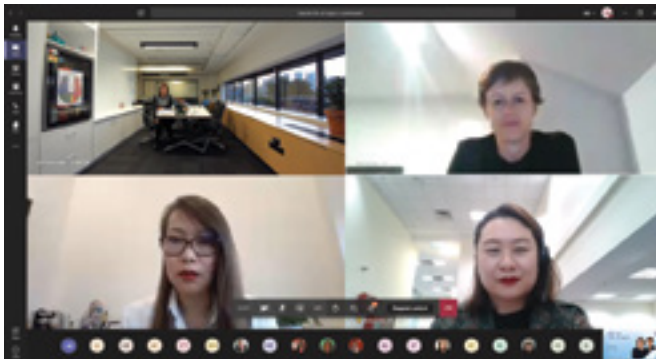
>50% of employees in the marketing and supply chain departments are female



Won the **Life at Work Awards** from Talent Corp for Outstanding Practice in Women Workforce Initiative



Launch of **"We Care"** programme to cater to the diverse needs of individual health and well-being



ATTRACT THE BEST TALENT

We take pride in setting a high standard in the people we recruit and value courage, resilience, and passion, which are important attributes when we look for talents.

TALENT SOURCING & RECRUITMENT

In order to attract top talent, we have a comprehensive recruiting process leveraging several talent acquisition channels. By partnering with the recruitment team in our Global Business Services, our recruitment and assessment approach is robust and detailed. This framework has and continues to ensure that we are able to attract and recruit the best talent.

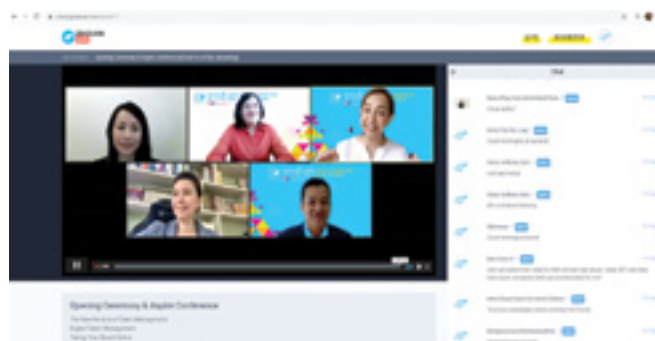
VIRTUAL CAREER FAIR

To successfully deliver on our talent brand agenda and attract exceptional young Malaysian talent, BAT Malaysia participated in virtual career fairs like Aspire Virtual Graduan Career Fair. By owning virtual booths, leading talks with industry leaders and offering opportunities for prospective talents to have one-on-one with our HR team, we managed to secure candidates for the Global Graduate Programme, ensuring a strong pipeline for future leadership positions.

DIGITAL TALENT BRANDING

Research and insights have guided how and where we drive our recruitment strategy. In 2020, market research was initiated with 1,200 Malaysian students across Malaysia and the UK to better understand their jobs searching behaviour. From the results, key data-driven decisions on messaging, platforms, and content delivery have helped to shape our approach.

With digital channels as the primary driver, we received a higher number of applications this year compared to last year, as well as stronger online engagement from potential candidates.



BRITISH AMERICAN TOBACCO MALAYSIA

**AMBITIOUS.
COURAGEOUS.
RESILIENT.**

JOIN OUR GLOBAL GRADUATE PROGRAMME
IN THE **HUMAN RESOURCES FUNCTION**

#BringYourDifference

top **top**
SOLUTION **top**
2020 **top**
2020 **top**
2020 **top**
2020

“The GGP immersed me in an environment with a steep learning curve, shaping me into a resilient individual.”

Ryan Chan
University of Leeds
Human Resources GG

careers.bat.com

WORKFORCE ENGAGEMENT

Becoming a winning organisation would not be possible if not for the people who are our biggest assets. We have invested heavily into digitalising our engagement initiatives, ensuring that we can continue to recognise and celebrate our people, to drive an engaged and energized organisation.

DIGITALISING HOW WE ENGAGE

With work from home in effect for most of 2020, we launched The Culture Collective (TCC), an integrated multi-channel communications platform that allows our employees to keep updated with the business, stay engaged and communicate with each other amidst the pandemic. Through the TCC, we organised virtual townhalls, and leveraged social media to create private groups where employees across BAT Malaysia could stay in touch and connected with each other.



HEALTH AND WELLBEING

Health and mental wellbeing became increasingly important as our people go through constant change. Keeping in line with our strategy to digitalise our organisation, we introduced a digital application for all employees as part of our new wellness programme, "We Care". The application provides our employees access to a wide range of health-related services, including psychologists, dieticians, and fitness coaches. Employees are able to consult and seek advice from the various health professionals and use the resources to embark on their journey to living a healthier lifestyle.



RECOGNISING AND REWARDING TALENT

ETHOS AWARDS & A BETTER TOMORROW™ AWARDS

In 2020, we rebranded our recognition framework into the Ethos Awards. This award aims to reward our employees who have gone the extra mile to deliver exceptional results and displayed leadership behaviors in line with our ethos - bold, fast, responsible, diverse, and empowered. More than 390 Ethos Awards were awarded to employees through 2020 celebrating and recognizing great examples of leadership, teamwork and individual displays of Ethos behaviours.

In 2020, we also revealed the inaugural "A Better Tomorrow™" awards, which aims to recognise outstanding performance results throughout the year. In total, 17 teams were nominated for successfully delivering initiatives resulting high business impact and contribution to the business, or outstanding display of leadership and perseverance.

LONG SERVICE AWARDS

Our long service awards recognises and celebrates our loyal employees, where their perseverance and contribution has served as a great example for the organisation.

In 2020, we celebrated our Long Service Awards with 25 recipients through a virtual event that was shared company-wide, showcasing some of their most memorable moments with BAT.

Specially curated care packages were sent to recipients' homes as a token of appreciation for their years of service. 12 employees celebrated their 10 years service with the Company, 3 employees were recognised for over 20 years service, and 5 employees were recognised for 30 years of long service. We also celebrated five retirees who retired after many years with the company, two whom had been with us for 40 years.

CONCLUSION

As our business evolves, so too does our employee value proposition. Today we are attracting a different and wider range of people and skillsets than we did before, injecting exciting new capabilities into the business.

We believe that by focusing on fostering a culture of Diversity and Inclusivity and by a continued commitment to develop local talent into leaders fit for the future BAT Malaysia will be a highly energised organisation ready to deliver our purpose of A Better Tomorrow™.



PROFILE

OF DIRECTORS

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

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



Age	Gender	Nationality
69	Male	Malaysian

Independent Non-Executive Director (Chairman)

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
- Certificate in International Financial Administration, United States
- 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 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), Social Security Organisation (2017-2018), 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 and President of Putrajaya Corporation from August 2012 to July 2015. In September 2015, Tan Sri Dato' Seri (Dr.) Aseh was appointed Non-Executive Chairman of Fujitsu (Malaysia) Sdn. Bhd.

PROFILE OF DIRECTORS

JONATHAN REED



Age	Gender	Nationality
50	Male	British

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

20 February 2020

Qualification:

- Bachelor of Science in Biochemistry from North East Surrey University, United Kingdom

Membership of Board Committee:

- Nil

Number of Board Meetings Attended in the Financial Year:

- 4/4

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

- Nil

Other Public Company:

- British American Tobacco Malaysia Foundation

Working Experience:

- Prior to his appointment, Jonathan was the Marketing Director of British American Tobacco Middle East South Asia since 2017. He was responsible for the sales and marketing efforts across seventeen (17) countries, where he focused on building a strong portfolio, route to market and activation capabilities across the Area on both the combustible portfolio of brands and the launch of the Groups New Category products, as well as simplifying ways of working to deliver performance, efficiency and effectiveness.
- He has more than twenty (20) years of international experience in British American Tobacco p.l.c. Group, spanning across multiple markets in Europe, Middle East, Asia and Australasia. Prior to his time in Dubai, he served in the Australasia market in 2016 and was responsible for driving the business turnaround in the South Pacific markets.
- He was the Head of Brands in Bentoel Indonesia (2010-2016) and Marketing Director North Europe in British American Tobacco Denmark (2008-2012).
- Jonathan started his career in British American Tobacco UK in 1997 and held many marketing positions across all disciplines.

PROFILE OF DIRECTORS

DATUK ZAINUN AISHAH BINTI AHMAD

KMN, PMP, DPMP, JSM, PJN



Age	Gender	Nationality
74	Female	Malaysian

Senior Independent Non-Executive Director

Date Appointed to the Board:

1 March 2012

Qualification:

- Bachelor of Economics from University of Malaya, Malaysia

Membership of Board Committees:

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

Number of Board Meetings Attended in the Financial Year:

- 4/4

Present Directorship(s):

Listed Entities

- Berjaya Food Berhad
- Boustead Holdings Berhad

Other Public Company:

- Pernec Corporation Berhad

Working Experience:

- Datuk Zainun began her career with Malaysian Investment Development Authority ("MIDA"), an agency under the Ministry of International Trade and Industry in relation to the promotion and coordination of industrial development in the country where she worked for thirty-five (35) years.
- Throughout her service, Datuk Zainun held various key positions in MIDA and in some of the country's strategic councils, notably her pivotal role as the National Project Director in the formulation of the first Malaysian Industrial Master Plan. She was the Deputy Director-General of MIDA for eleven (11) years and Director-General for nine (9) years before her retirement in September 2004.
- Whilst in MIDA, she also sat on various committees or authorities at national level, including being a member of the Industrial Coordination Act Advisory Council, Defence Industry Council and National Committee on Business Competitiveness Council, Malaysia Incorporated and the National Project for Majlis Penyelarasan Perindustrian before retiring in September 2004.

Note:

- *Datuk Zainun resigned as Senior Independent Non-Executive Director of the Company on 28 February 2021, upon completion of her nine (9) years tenure as Independent Non-Executive Director.*

PROFILE OF DIRECTORS

DATO' CHAN CHOON NGAI
DSNS

Age	Gender	Nationality
65	Male	Malaysian

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

1 February 2011

Qualification:

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

Membership of Board Committees:

- 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

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 re-designated as Non-Independent Non-Executive Director of BAT Malaysia 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 BAT Malaysia 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 of BAT Malaysia in July 2000 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 as Production Director of the then Rothmans Malaysia in October 1995. He was the Director of Tien Wah Press Holdings Berhad from May 1997 to June 2003.

PROFILE OF DIRECTORS

ERIC OOI LIP AUN



Age	Gender	Nationality
63	Male	Malaysian

Independent Non-Executive Director

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 Committees:

- 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 thirty eight (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 and high net worth individuals and families.
- From 2002 to 2008, Eric was the Assurance leader for PwC's regional grouping in Asia, and he 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.

PROFILE OF DIRECTORS

DATUK CHRISTINE
LEE OI KUAN

DPSM



Age	Gender	Nationality
62	Female	Malaysian

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

1 March 2012

Qualification:

- Degree in Law from University of Malaya, Malaysia

Membership of Board Committee:

- Nil

Number of Board Meetings Attended in the Financial Year:

- 4/4

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

- Nil

Other Public Company:

- Nil

Working Experience:

- Datuk Christine was the Legal and External Affairs Director of BAT Malaysia from September 2006 until her retirement in 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.

PROFILE OF DIRECTORS

IGNACIO BALLESTER



Age	Gender	Nationality
47	Male	Italian

Non-Independent Executive Director/Finance Director

Date Appointed to the Board:

9 December 2019

Qualifications:

- Degree in Business Administration from School of Economics, University of Buenos Aires, Argentina
- Masters in Business Administration from IDEA (Instituto para el Desarrollo Empresarial de la Argentina), Graduate School of Business, Argentina
- General Management Programme from INSEAD The Business School for the World, Fontainebleau, France

Membership of Board Committee:

- Risk Management Committee

Number of Board Meetings Attended in the Financial Year:

- 4/4

Present Directorship(s):

Listed Entity

- Nil

Other Public Company:

- Nil

Working Experience:

- From 2015 to 2019, Ignacio was the Area Finance Director, Chief Financial Officer ("CFO") and Chief Information Officer for British American Tobacco South America Cluster where he lead the Finance and Information Technology Departments for a group of seven companies/ countries (Argentina, Chile, Peru, Paraguay, Uruguay, Bolivia, and Ecuador). During this time, Ignacio was also the President of the Board for British American Tobacco Chile.
- Prior to his current role, Ignacio was the Managing Director for BAT Aspac Service Centre, the Regional Shared Services Unit for Asia Pacific Region based in Kuala Lumpur from 2012 to 2015.
- He also served as Finance Director for B.A.T. (U.K. and Export) Limited and Regional Finance Manager for BAT East Europe, Africa and Middle East, based in London from 2008 to 2011.
- He was the Area CFO and Head of IT for BAT Southern African Markets (based in Stellenbosch, South Africa) from 2007 to 2008.
- He was the CFO and Head of IT for BAT Mozambique (Maputo, Mozambique) from 2005 to 2007.
- Ignacio started his career in British American Tobacco Argentina as a management trainee under the Finance Management Trainee Programme from 1996 to 1998. After completing his management trainee programme in 1998, he held various finance positions with assignments in Argentina and Western Europe until 2005.

PROFILE OF LEADERSHIP TEAM

JONATHAN REED

Managing Director

Date Appointed to the Leadership Team:

1 April 2020

Age	Gender	Nationality
50	Male	British

 For details of Jonathan's profile, please refer to page 65 of this Annual Report.

IGNACIO BALLESTER

Finance Director

Date Appointed to the Leadership Team:

9 December 2019

Age	Gender	Nationality
47	Male	Italian

 For details of Ignacio's profile, please refer to page 70 of this Annual Report.

NICHOLAS KEITH BOOTH ("NICK")

Legal and External Affairs Director

Date Appointed to the Leadership Team:

7 October 2020

Age	Gender	Nationality
40	Male	New Zealand

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 the Regulatory Affairs Director of BAT Malaysia on 7 October 2020 and subsequently the 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

Date Appointed to the Leadership Team:

1 January 2020

Age	Gender	Nationality
36	Female	Malaysian

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

Date Appointed to the Leadership Team:

15 July 2019

Age	Gender	Nationality
43	Female	Malaysian

Qualifications:

- 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 the 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

C K REMEENA PRABHAKARAN**Operations Director****Date Appointed to the Leadership Team:**

1 March 2018

Age	Gender	Nationality
57	Female	Malaysian

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**Trade Marketing and Distribution Director****Date Appointed to the Leadership Team:**

6 November 2020

Age	Gender	Nationality
36	Male	Australian

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 as the Trade Marketing and Distribution Director on 6 November 2020.
- Prior to his current role, Bryce was the Marketing Director China, a Joint Venture between BAT and CNTC 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 Directors or the Leadership Team have:

- any family relationships with any other Director and/or major shareholder of BAT Malaysia.
- any conflict of interest with BAT Malaysia.
- any convictions for offences within the past five years and have not been imposed any public sanction or penalty by the relevant regulatory bodies during the financial year 2020.

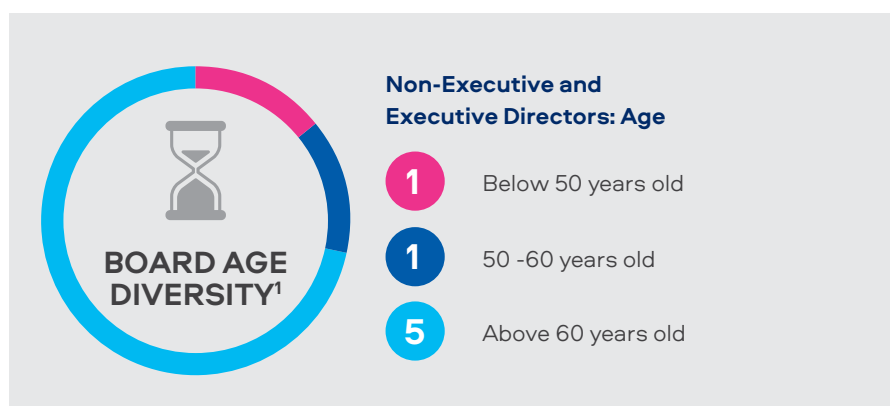
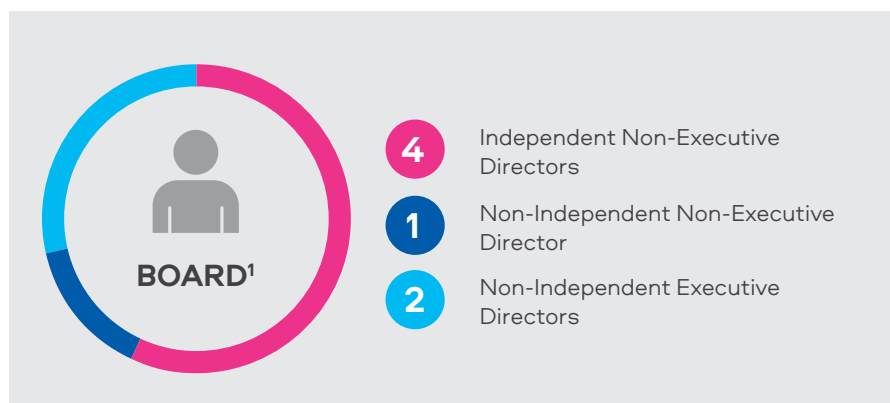


Governance

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CORPORATE GOVERNANCE

OVERVIEW

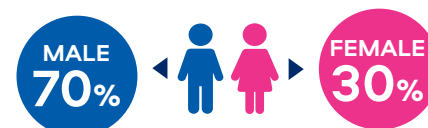


ATTENDANCE¹

DIRECTORS	BOARD	AGM	NRC	RMC	AC
Tan Sri Dato' Seri (Dr.) Aseh bin Haji Che Mat (Chairman)	4/4	1/1	5/5 Chairman of NRC	-	-
Jonathan Reed	4/4	1/1	-	-	-
Datuk Zainun Aishah binti Ahmad	4/4	1/1	4/5	3/4	3/4
Dato' Chan Choon Ngai	4/4	1/1	5/5	4/4	4/4
Eric Ooi Lip Aun	4/4	1/1	-	4/4 Chairman of RMC	4/4 Chairman of AC
Datuk Christine Lee Oi Kuan	4/4	1/1	-	-	-
Ignacio Ballester	4/4	1/1	-	4/4	-

Notes: ¹ As at 31 December 2020

BOARD GENDER DIVERSITY¹



BOARD TENURE AND EXPERIENCE¹

Non-Executive and Executive Directors: Length of Services



BOARD NATIONALITY¹



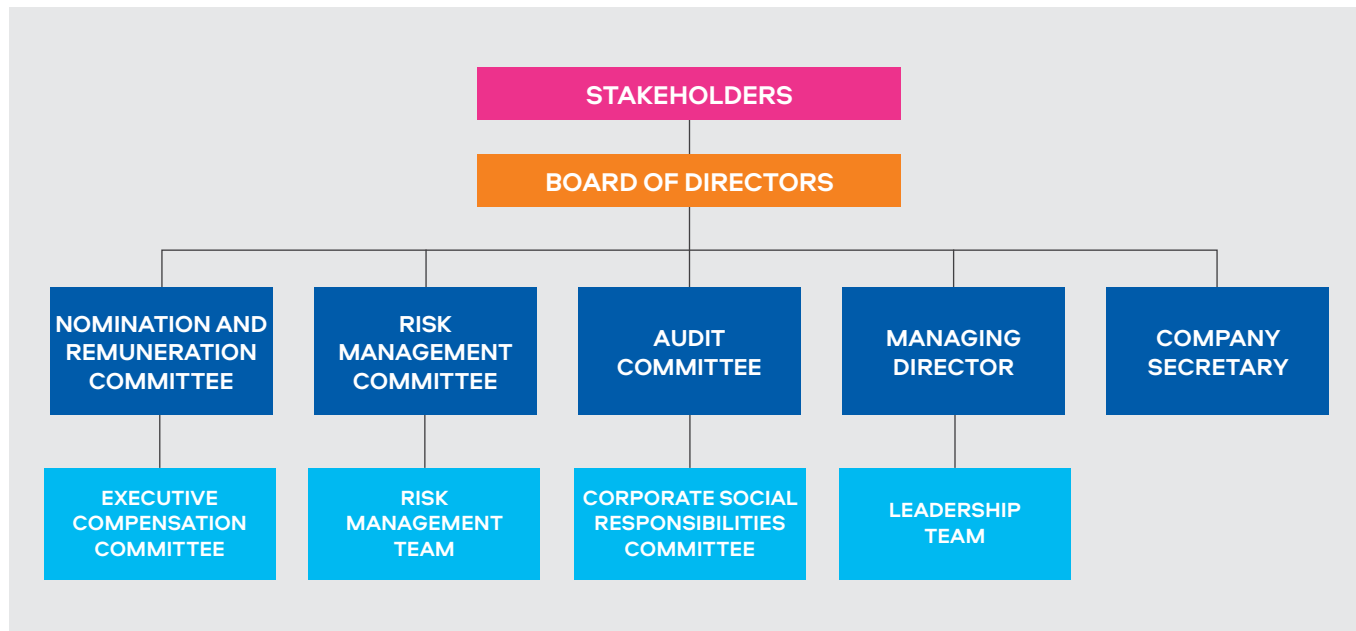
TOTAL HOURS FOR BOARD AND BOARD COMMITTEES MEETINGS 2020¹

Board		14 hours
Nomination and Remuneration Committee	NRC	9.5 hours
Risk Management Committee	RMC	4.5 hours
Audit Committee	AC	5.5 hours

CORPORATE GOVERNANCE OVERVIEW

The Board of Directors (the “**Board**”) of BAT Malaysia presents an overview of the corporate governance practices of BAT Malaysia and its subsidiaries (the “**Group**”) for the financial year ended 2020.

Corporate Governance Framework



BAT Malaysia’s corporate governance framework is designed to ensure that BAT Malaysia achieves its business objectives in a responsible manner and in accordance with high standards of integrity, transparency and accountability. It is set out in BAT Malaysia’s Code of Corporate Governance (“**BAT Malaysia Code**”), which was developed and continuously enhanced ensuring compliance with local laws, governance best practices and internal policies as follows:

- The Companies Act, 2016 (the “**Act**”)
- Main Market Listing Requirements (“**Listing Requirements**”) of Bursa Malaysia Securities Berhad (“**Bursa Securities**”)
- Malaysian Code on Corporate Governance 2017 (“**MCCG 2017**”)
- Corporate Governance Guide: Moving from Aspiration to Actualisation, 3rd Edition (“**CG Guide**”)
- Corporate Disclosure Guide by Bursa Securities (“**CD Guide**”)
- Malaysia-ASEAN Corporate Governance Scorecard by Minority Shareholders Watch Group (“**MSWG**”)
- British American Tobacco p.l.c. Group’s Code of Corporate Governance
- Standards of Business Conduct of the Group (“**SOBC**”)
- Statement of Business Principles of the Group (“**Business Principles**”)
- Statement of Delegated Authorities of the Group (“**SODA**”)

The Board continuously reviews its corporate governance framework to ensure its relevance, effectiveness and sustainability in meeting the challenges of the business.

The Board has in place 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.

CORPORATE GOVERNANCE OVERVIEW

The Corporate Governance Overview and Framework are to be read together with the Corporate Governance Report of BAT Malaysia, which are available on BAT Malaysia website at www.batmalaysia.com. This Corporate Governance Overview Statement (“**Statement**”) seeks to provide investors with vital insights into the corporate governance practices of BAT Malaysia. In this Statement, the Board reports that BAT Malaysia have adopted and applied the statutory requirements, principles, and best practices as set out in the Listing Requirements of Bursa Securities, the Act, MCCG 2017 and the CG Guide.

PRINCIPLE A: BOARD LEADERSHIP AND EFFECTIVENESS

1. Board Composition

The Board composition represents a mix of knowledge, skills, and expertise relevant to the business of BAT Malaysia. As at 31 December 2020, the Board is comprised of four (4) Independent Non-Executive Directors, including the Chairman, one (1) Non-Independent Non-Executive Director and two (2) Non-Independent Executive Directors. Fifty seven percent of the Board members are Independent Directors, complying with Paragraph 15.02 of the Listing Requirements of Bursa Securities.

1.1 Board Diversity

BAT Malaysia 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. As at 31 December 2020, two out of the seven or thirty percent of Board members are women.

The Board is collectively responsible for BAT Malaysia’s vision, strategic direction and governance. The Board composition provides diversity in terms of experience, background, skills, gender, qualifications, integrity, possessing in-depth knowledge and experience of the tobacco business, which are essential for sustainability and growth of the business, as well as to promote the interests of all shareholders.

The process for selection, nomination, and appointment of suitable candidates to the Board of BAT Malaysia, is set out on pages 98 to 101 of this Annual Report.

1.2 Board Independence

BAT Malaysia measures the independence of its Directors based on the criteria stipulated in the Listing Requirements of Bursa Securities in which a Director should be independent and free from any business or other relationship that could interfere with the exercise of independent judgment or the ability to act in the best interest of BAT Malaysia.

The Nomination and Remuneration Committee (“**NRC**”) reviews the independence of the Directors annually and each Independent Non-Executive Director also performed a self-evaluation to affirm their independence from the Management.

1.3 Tenure of Independent Director

The Board adopts a policy that limits the tenure of its Independent Director to nine (9) years, pursuant to Step Up 4.3 of MCCG 2017 and BAT Malaysia Code. Consequently, Datuk Zainun Aishah binti Ahmad resigned as the Senior Independent Non-Executive Director upon her completion of nine (9) years as an Independent Director on 28 February 2021.

1.4 Senior Independent Non-Executive Director

The Board has appointed Dato’ Chan Choon Ngai as the Senior Independent Non-Executive Director of BAT Malaysia, to whom concerns of the other Directors, shareholders, and other interested parties may be conveyed to.

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The shareholders and other interested parties may contact Dato' Chan Choon Ngai to address any concerns by writing or via telephone, facsimile or electronic mail as follows:

Tel : +603 2720 8188
Fax : +603 2720 8106
Email : chan_choon_ngai@bat.com
Postal Address : Level 19, Guoco Tower, Damansara City,
No. 6 Jalan Damanlela, Bukit Damansara,
50490 Kuala Lumpur

1.5 Assessment of the Performance of the Board, Committees, Individual Directors and Managing Director ("Assessments")

The Board undertakes questionnaire assessment of its performance, performance of its Board Committees, individual Directors and Managing Director. The Assessment was undertaken by way of peer-to-peer assessment, performance reviews of its committees and self-review assessments. The results of the Assessments for the financial year ended 31 December 2020 were reported to the NRC on 4 February 2021 and subsequently to the Board.

Further information on the assessment is set out on pages 100 to 101 under the NRC Report of this Annual Report.

1.6 Succession planning

In year 2020, the Board also placed focus on the Managing Director's succession and transition plan given that the former Managing Director, Hendrik Stoel, was due to retire in the first quarter of 2020. In this respect, a structured plan was in place to ensure an effective and smooth handover to the new Managing Director. The NRC reviewed the candidate proposed by BAT p.l.c., assessed the candidate's experience, qualification, leadership track, industry exposure and determined the remuneration package of the successor Managing Director. After due process, the Board approved the recommendation of the NRC for the appointment of Jonathan Reed as the new Managing Director of BAT Malaysia effective 1 April 2020.

The induction programme for Jonathan Reed, was conducted between February to March 2020. In addition, the Board and the NRC also oversaw the appointment and succession planning of the Leadership Team.

1.7 Non-Executive Directors' Meeting

On 28 October 2020, the Non-Executive Directors met without the presence of the Executive Directors and the Management. The feedback from this meeting was then presented and deliberated at the Board Meeting held on 28 October 2020.

2. Board Leadership and Responsibilities

2.1 Role of the Board

The Board is guided by the Terms of Reference ("TOR") and SODA, which clearly define the matters that are specifically reserved for the Board and its Board Committees, and outline the manner in which the day-to-day management of BAT Malaysia is to be delegated to the Managing Director within the relevant authority limit. This delegation structure is further cascaded by the Managing Director to the Leadership Team.

CORPORATE GOVERNANCE OVERVIEW

The Board, among others, assumes the following key roles and responsibilities, which are to be discharged in the best interest of BAT Malaysia and to promote and protect the interests of shareholders and stakeholders of BAT Malaysia:

- a. To establish appropriate systems of corporate governance in the Group.
- b. To oversee the conduct of the Group's businesses.
- c. To review and adopt the strategic plan of the Group.
- d. To review the adequacy and integrity of the management of information and internal control systems of the Group.
- e. To identify principal risks and ensure the implementation of appropriate internal controls to manage these risks.
- f. To establish succession plan, including appointing, training, fixing the compensation of and, where appropriate, replacing the Leadership Team.

The Board not only sets the strategic direction but also oversees and ensures that the conduct of the businesses of the Group adhere to relevant applicable laws, policies, standards and guidelines.

2.2 Leadership Roles and Responsibilities

Role	Key Responsibilities
Chairman	The Chairman is responsible for the efficient and effective functioning of the Board.
Managing Director	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.
Executive Directors	The Executive Directors are responsible for the day-to-day management of financial and operational matters in accordance with the strategic direction established by the Board.
Non-Executive Directors	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 act as caretakers of minority interest.
Leadership Team	The Board is assisted by the Leadership Team. The details of the Leadership Team are provided on pages 71 to 73 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.

2.3 Roles of the Chairman and Managing Director

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

CORPORATE GOVERNANCE OVERVIEW

The Chairman plays an important leadership role and is responsible for:

- a. providing leadership to the Board so that the Board can perform its responsibilities efficiently and effectively.
- b. setting the agenda for meetings of the Board and ensuring that Board members receive complete and accurate information in a timely manner.
- c. leading the Board and shareholders meetings.
- d. encouraging active participation and allowing dissenting views to be freely expressed.
- e. managing the interface between the Board and the Leadership Team.
- f. ensuring the Board is constituted in accordance with and acts in compliance with relevant statutory requirements.
- g. leading the Board in establishing and monitoring good corporate governance practices in the Group.
- h. establishing and maintaining relationships with the stakeholders of the Group, including government institutions, shareholders and potential shareholders, and major external bodies.

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.

2.4 Role of the 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 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. 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 the 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.

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

2.5 Board Committees

The Board delegates certain responsibilities to three (3) Board Committees that operate within clearly defined TOR. The Board reviews the functions and TOR of the Board Committees from time to time to ensure that they are relevant and updated in line with the MCCG 2017 and other related policies or regulatory requirements.

All deliberations, recommendations and decisions of the Board Committees are recorded, and minutes are subsequently confirmed at the next Committee meetings. During the Board meetings, the Chairmen of the various Board Committees provide reports of the decisions and recommendations made at the Committee meetings and highlight to the Board if any further deliberation is required at the Board level.

CORPORATE GOVERNANCE OVERVIEW

i. Nomination and Remuneration Committee (“NRC”)

The NRC assists the Board to oversee the selection and assessment of the Directors, assess the performance of the Board, and review succession planning for the Board and the Leadership Team.

The NRC also assists the Board in determining the policy and structure for the compensation of the Non-Executive Directors and review and recommend to the Board the policy framework on the terms of employment, remuneration, and compensation payments of the Executive Directors and the Leadership Team.

For details on the composition, TOR, and a summary of activities of the NRC, please refer to pages 98 to 101 of this Annual Report under the NRC Report.

ii. Risk Management Committee (“RMC”)

The RMC assists the Board to oversee the Group’s risk management programme and business continuity plans.

For details on the composition, TOR, and a summary of activities of the RMC, please refer to page 106 of this Annual Report.

iii. Audit Committee (“AC”)

The AC assists the Board to oversee 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.

For details on the composition, TOR and a summary of activities of the AC, please refer to pages 102 to 105 of this Annual Report.

2.6 Sub-Committees

BAT Malaysia has three (3) Sub-Committees, namely the Corporate Social Responsibility Committee, Executive Compensation Committee and Risk Management Team. The Sub-Committees members are made up of the Leadership Team and senior managers of BAT Malaysia. Their roles and functions, operating procedures, and authorities are clearly defined in the TOR of the respective Sub-Committees, which are reviewed by the Board from time to time.

Sub-Committees	Roles
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. The members are the Managing Director, Finance Director and Human Resources Director. The Company Secretary acts as the Secretary of the ECC. The ECC met once in the financial year to review and deliberate on matters related to the remuneration, benefits and payments of the employees in the Group.

CORPORATE GOVERNANCE OVERVIEW

Sub-Committees	Roles
Corporate Social Responsibility (“CSR”) Committee Chairman: Managing Director	<p>Oversees sustainability operations within the Group, including identifying and managing of key social and environmental issues, engaging with key stakeholders, monitoring the efficiency and effectiveness of the CSR management systems and control, ensuring the reliability of social and environmental performance management of information and monitoring alignment with the Business Principles.</p> <p>The members are BAT Malaysia’s Leadership Team and the Corporate Affairs Manager act as the Secretary to the CSR Committee.</p> <p>The CSR Committee met twice in the financial year to deliberate on among others, the review of BAT Malaysia’s current sustainability framework and strategy, and the update on BAT Malaysia’s 2020 sustainability initiatives.</p> <p>For detail of the corporate responsibility activities, please refer to page 54 of this Annual Report.</p>
Risk Management Team (“RMT”) Chairman: Finance Director	<p>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.</p> <p>The RMT met twice during the financial year ended 31 December 2020 to deliberate on, among others, the review of the Risk Register, key learnings from the Business Continuity Plan tests and risk mitigation plans.</p> <p>For details of the Group’s Enterprise Risk Management activities in 2020, please refer to pages 107 to 116 of this Annual Report.</p>

3. Board Effectiveness

3.1 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 (5) 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.

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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 Company Secretary is also responsible to give sound advice to the Leadership Team, the Board and the Chairman on all governance matters.

The Board may seek independent professional advice at BAT Malaysia's expense in furtherance of their duties, subject to approval by the Chairman.

3.2 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 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.

3.3 Meetings and Time Commitment

Each Director is expected to commit 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 Listing Requirements of Bursa Securities of not holding more than five (5) 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 when warranted by situations, 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 Board decision, 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.

During the financial year under review, the Board met four (4) times. All Directors attended all the Board Meetings and AGM held during the financial year and have complied with the Listing Requirements of Bursa Securities in terms of attendance. This reflects the Board members' commitment and dedication in fulfilling their duties and responsibilities.

3.4 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 (3) 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 Securities. During the closed period (which is two months before

CORPORATE GOVERNANCE OVERVIEW

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. The Leadership Team do not hold any shares in BAT Malaysia.

3.5 Directors' Training

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 2020:

Directors	Briefing/Conference/Forum/Seminar/ Training/Workshop/Webinar attended	Organiser	Date
Tan Sri Dato' Seri (Dr.) Aseh bin Haji Che Mat	How to be an effective NED in a Disruptive World	ICDM	21 September 2020
	Regulatory Affairs Workshop	BAT Malaysia	9 December 2020
	ESG Trends & Regulatory Developments	ICLIF	10 December 2020
Jonathan Reed	Mandatory Accreditation Programme	ICLIF	16- 17 June 2020 and 28 September 2020
	Regulatory Affairs Workshop	BAT Malaysia	9 December 2020
	ESG Trends & Regulatory Developments	ICLIF	10 December 2020
Datuk Zainun Aishah binti Ahmad	The Future of AGM fully virtual/hybrid AGMs	Boardroom	14 May 2020
	Business Disruptions Priorities for Board	SIDC	19 June 2020
	Regulatory Affairs Workshop	BAT Malaysia	9 December 2020
	ESG Trends & Regulatory Developments	ICLIF	10 December 2020
Dato' Chan Choon Ngai	How to be an effective NED in a Disruptive World	ICDM	21 September 2020
	Regulatory Affairs Workshop	BAT Malaysia	9 December 2020
	ESG Trends & Regulatory Developments	ICLIF	10 December 2020
Eric Ooi Lip Aun	New Era of Corporate Liability under Malaysian Anti-Bribery laws	Genting Group	21 February 2020
	COVID-19 Impact on financial reporting	PWC	5 May 2020
	How to be an effective NED in a Disruptive World	ICDM	21 September 2020
	Establishing an empowered Audit Committee	IERP	2 November 2020
	Directors guide to Governance, Risk and Compliance	IERP	30 November 2020
	Regulatory Affairs Workshop	BAT Malaysia	9 December 2020
	ESG Trends & Regulatory Developments	ICLIF	10 December 2020

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Directors	Briefing/Conference/Forum/Seminar/ Training/Workshop/Webinar attended	Organiser	Date
Datuk Christine Lee Oi Kuan	How to be an effective NED in a Disruptive World	ICDM	21 September 2020
	Regulatory Affairs Workshop	BAT Malaysia	9 December 2020
	ESG Trends & Regulatory Developments	ICLIF	10 December 2020
Ignacio Ballester	Mandatory Accreditation Programme	ICLIF	30 - 31 March 2020
	Stakeholder Primacy: Increased Emphasis on ESG	ICDM	6 April 2020
	Review Competitive Strategies using AI: A Board's Perspective	ICDM	7 April 2020
	The Role of Audit Committees in Ensuring Organisational Integrity, Risk & Governance	ICDM	7-10 December 2020
	Regulatory Affairs Workshop	BAT Malaysia	9 December 2020
	ESG Trends & Regulatory Developments	ICLIF	10 December 2020

Notes:

Boardroom	:	Boardroom Corporate Services Sdn Bhd
Genting Group	:	Genting Berhad Group
ICLIF	:	Asia School of Business, The Iclif Executive Education Centre
ICDM	:	Institute of Corporate Directors Malaysia
IERP	:	Institute of Enterprise Risk Practitioners
PWC	:	PricewaterhouseCoopers Malaysia

3.6 Ethical and Procedural Standards

BAT Malaysia is committed in 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. SOBC

A set of key policies, expressing the high standards of integrity the Group is committed to upholding. The areas covered by the Standards 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 require 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 Standards of Business Conduct. BAT Malaysia is also a signatory of the Malaysian Corporate Integrity Pledge, which was signed on 19 February 2014, demonstrating BAT Malaysia's commitment in upholding anti-corruption in the conduct of its business.

For further information on the SOBC, please refer to pages 93 to 96 of this Annual Report under the SOBC Statement.

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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

Ensures all employees are treated with respect and dignity regardless of gender and to outline 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 had 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 sets out the general principles and standards of behaviour in relation to competition laws that employees are required to follow and comply.

e. Employment Principles

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

f. Guidelines on Employee Engagement

Governs 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

Sets 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

An internal framework to govern all aspects of tobacco marketing.

i. Policy on Business Security

Provides for effective business focused security throughout the Group.

j. Policy on Data Protection

To assist in establishing and maintaining an adequate level of personal data protection in 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. The Policy on Data Protection 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

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

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4. 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:

- a. **Fees** – the fixed annual fees to be paid to the Non-Executive Directors.
- b. **Salaries** – the basic salaries for the Executive Directors as recommended by the NRC to the Board for approval.
- b. **Other Emoluments*** - Emoluments such as bonuses, retirement benefits, provision for leave, fixed allowances, 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.
- d. **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.

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.

BAT Malaysia has engaged Datuk Christine Lee Oi Kuan to provide consultancy services to BAT Malaysia for an initial period that commenced from 1 January 2019 to 30 June 2020 and an extended period from 1 July to 30 September 2020.

In addition to the fixed annual Director fees, all Non-Executive Directors, save for the Chairman of the Board, are being paid meeting attendance allowance for each Committee meeting attended. In recognition of the additional time and commitment required, the Chairman of the AC also receives an annual fixed fee for his chairmanship of the AC. 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.

The Board believes in a competitive and transparent remuneration framework that supports the Directors and Senior Management's responsibilities and fiduciary duties in managing the Group to drive the Group's long-term objectives and enhance stakeholder value.

The Group has consolidated the policies and guidelines it adheres to in arriving at the remuneration framework for the Directors and the Leadership Team.

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The details of the Director's remuneration, comprising remuneration received/receivable from the Group for the financial year ended 31 December 2020, are as follows:

Directors	Salary (RM)		Fee (RM)		Other Emoluments* (RM)		Benefits-in-kind** (RM)		Total (RM)
	Company	Subsidiary	Company	Subsidiary	Company	Subsidiary	Company	Subsidiary	
Jonathan Reed (Appointed on 20 February 2020)	755,176	-	-	-	702,552	-	297,137	-	1,754,865
Ignacio Ballester	803,186	-	-	-	1,257,880	-	875,538	-	2,936,604
Hendrik Stoel (Resigned on 31 March 2020)	396,439	-	-	-	3,229,180	-	132,262	-	3,757,881
Tan Sri Dato' Seri (Dr.) Aseh bin Haji Che Mat	-	-	258,750	-	115,569	-	-	-	374,319
Datuk Zainun Aishah binti Ahmad	-	-	75,000	-	5,000	-	-	-	80,000
Dato' Chan Choon Ngai	-	-	75,000	-	8,000	-	-	-	83,000
Eric Ooi Lip Aun	-	-	90,000	-	6,000	-	-	-	96,000
Datuk Christine Lee Oi Kuan	-	-	75,000	-	400,393	-	19,672	-	495,065
Total	1,954,801	-	573,750	-	5,724,574	-	1,324,609	-	9,577,734

The remuneration of the Leadership Team for the financial year ended 31 December 2020 are as follows:

Name	Range of Remuneration (RM)
Linda Song Yik Lin	2,800,000 - 2,850,000
Lim Shean Yik @ Christopher	1,850,000 - 1,900,000
CK Remeena Prabhakaran	1,350,000 - 1,400,000
Genevieve Hiew	900,000 - 950,000
Felicia Teh Sook-Ching	850,000 - 900,000
Damian William Bruty (Resigned on 5 October 2020)	850,000 - 900,000
Nicholas Keith Booth (Appointed on 7 October 2020)	300,000 - 350,000
Bryce Matthew Green (Appointed on 6 November 2020)	100,000 - 150,000

The other Leadership Team's remuneration were disclosed under the Directors' remuneration.

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PRINCIPLE B: EFFECTIVE AUDIT AND RISK MANAGEMENT

1. Audit Committee

The AC comprises three (3) members, all of whom are Non-Executive Directors with a majority of them are Independent Non-Executive Directors. The AC is chaired by an Independent Non-Executive Director who is not the Chairman of the Board. The AC is responsible for the oversight and monitoring of:

- a. the Group's financial reporting and accounting policies.
- b. internal control.
- c. related party transactions and conflict of interest situations that may arise within the Group.
- d. the Group's Internal Audit functions, which include review of the internal audit plans, and appointment and termination of senior staff members of the internal audit function.
- e. the appointment, scope of work and evaluation of the external auditor.

The AC took note of Practice 8.2 of the MCCG 2017 and the Board has approved the adoption of the policy that requires a former key audit partner to observe a cooling-off period of at least two (2) years before being appointed as a member of the AC. This is to safeguard the independence of the AC by avoiding the potential threats that may arise when a former key audit partner is able to exert significant influence over the audit and the preparation of the Group's financial statement.

The AC evaluated the performance of the external auditors for the financial year ended 31 December 2020 covering areas such as calibre of external audit firm, independence and objectivity, performance of external audit firm, audit team, audit scope, audit plan and audit fees. After due consideration by the AC of the suitability, objectivity, independence and performance of the external audit firm, KPMG PLT, the AC had recommended to the Board for approval, the re-appointment of KPMG PLT as external auditors for the financial year ending 31 December 2021.

The AC had also obtained written assurance from the external auditors, KPMG PLT, that they are independent of the Group, and KPMG PLT has fulfilled other ethical responsibilities in accordance with the By-Laws of the Malaysian Institute of Accountants and the International Ethics Standards Board for Accountants' Code of Ethics for Professional Accountants.

For details on the composition, TOR and a summary of activities of the AC, please refer to pages 102 to 105 of this Annual Report.

2. Risk Management and Internal Control Framework

The Group recognises the importance of sound risk management practices and internal controls to safeguard shareholders' investments and the Group's assets.

The Board took note of Practice 9.3 of the MCCG 2017 and instituted the RMC, which comprises a majority of Independent Directors. The RMC assists the Board to review the risk management framework adopted within the Group and monitors the effectiveness of risk mitigation action plans to minimise losses and maximise opportunities. Besides that, the AC monitors systems of internal control to ensure they are soundly conceived, in place and effectively administered.

3. Internal Audit

The Group's internal audit function is outsourced to the global audit function of the 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 than would otherwise be available within the Group.

CORPORATE GOVERNANCE OVERVIEW

Details of the Group's internal control system and framework are set out in the Statement on Risk Management and Internal Control, RMC Report and AC Report, and are presented from pages 107 to 116, page 106 and pages 102 to 105 respectively of this Annual Report.

4. Compliance with Applicable Financial Reporting Standards

The Board ensures that shareholders are presented with a clear, balanced and meaningful assessment of the Group's financial performance and prospects through the audited financial statements, annual report and quarterly announcement of results.

The AC assists the Board to oversee the Group's financial reporting processes and the quality of its financial reporting by reviewing the information to be disclosed, to ensure completeness, accuracy and adequacy in the presence of external auditors and internal auditors prior to recommending the same for the Board's approval.

The Directors are responsible for ensuring that the financial statements prepared are drawn up in accordance with the provisions of the Act and applicable approved accounting standards in Malaysia.

The Directors' Responsibility Statement for the audited financial statements of the Group is set out in page 118 of this Annual Report. The details of the Group's financial statements for the financial year ended 31 December 2020 are presented from pages 119 to 209 of the Annual Report.

5. Related Party Transactions

The Group has an internal compliance framework to ensure it meets its obligations under the Listing Requirements of Bursa Securities, including obligations relating to related party transactions. The Board, through its AC, reviews all related party transactions. The Directors further acknowledge that by declaring their conflict of interests in any transaction, they are to abstain from deliberation and voting on the relevant resolutions at the Board or any general meeting convened to consider the matter.

There are procedures established by the Group to ensure that all related party transactions are undertaken on an arm's length basis and on normal commercial terms, consistent with the Group's usual business practices and policies, which are generally not more favourable than those generally available to the public and other suppliers, and are not detrimental to the minority shareholders.

The internal framework pertaining to the governance of related party transactions is summarised below:

- a. A list of related parties of the Group will be circulated to the Directors and the Leadership Team to notify that all related party transactions are required to be undertaken on an arm's length basis and on normal commercial terms and not more favourable than those generally available to the public and other suppliers, and are not detrimental to the minority shareholders.
- b. All related party transactions will be reported to the AC. Any member of the AC may, as he deems fit, request for additional information pertaining to the transaction, including from independent sources or advisers.
- c. All recurrent related party transactions that are entered into pursuant to the shareholders' mandate for recurrent related party transactions will be recorded by the Group in a register or records maintained by the Group.
- d. All recurrent related party transactions entered into pursuant to the shareholders' mandate shall be reviewed by the British American Tobacco p.l.c. Group Internal Audit to ensure that the relevant approvals have been obtained and the review procedures in respect of such transactions are adhered to.

CORPORATE GOVERNANCE OVERVIEW

- e. The Finance Director updates the Board on a quarterly basis on all recurrent related party transactions and in the event there are any discrepancies or queries, the AC shall direct the British American Tobacco p.l.c. Group Internal Audit to carry out investigation pertaining to the discrepancies or queries.

BAT Malaysia proposes to seek its shareholders' approval on the proposed shareholders' mandate for the Group to enter into recurrent related party transactions of a revenue or trading nature with related parties ("Proposed Renewal of the Recurrent RPTs") at BAT Malaysia's forthcoming Sixtieth AGM. The Proposed Renewal of the Recurrent RPTs (details are disclosed in the Circular to Shareholders dated 24 March 2021), if approved by the shareholders, would be valid until the next AGM.

6. Independence of External Auditors

The appointment of KPMG PLT as the external auditors of BAT Malaysia for the financial year ended 31 December 2020 until the conclusion of the next AGM was approved by the shareholders of BAT Malaysia during the Fifty-Ninth AGM held on 15 June 2020.

The Board via the AC maintains a formal and transparent professional relationship with the Group' auditors, both internal and external. The AC had met with the external auditors without the presence of the Executive Directors and the Management twice during the financial year ended 31 December 2020, which encouraged a greater exchange of independent views and opinions, as well as dialogue between both parties.

The AC discusses with the external auditors the nature and scope of the audit and reporting obligations before audit commences. The AC also ensures that the Management will provide a timely response on any material queries raised by the external auditors after the audit to the Management, in respect of the accounting records, financial accounts or systems of control.

The AC is tasked with the authority from the Board to review any matters concerning the appointment and re-appointment, audit fee, resignation or dismissal of the external auditors, and review and evaluate factors relating to the independence of the external auditors and assist them in preserving independence.

PRINCIPLE C: INTEGRITY IN CORPORATE REPORTING AND MEANINGFUL RELATIONSHIP WITH STAKEHOLDERS

1. Communication 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 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' performance and operations. A quarterly briefing for fund managers, institutional investors, and investment analysts, as well as the media are held concurrently with the release of the quarterly financial results to Bursa Securities. 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.

During the financial year ended 31 December 2020, BAT Malaysia held four (4) quarterly briefings and hosted one hundred and fifty-five (155) teleconferences with fund managers, institutional investors and investment analysts.

CORPORATE GOVERNANCE OVERVIEW

The primary contact for investor relation matters is as follows:

Name : Ignacio Ballester
Designation : Finance Director
Email : fdoffice_malaysia@bat.com

2. 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 first fully virtual Fifty-Ninth AGM conducted on 15 June 2020, 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 Fifty-Ninth AGM in an orderly manner and allowed the shareholders the opportunity to participate remotely and submit questions using Remote Participation and Voting ("**RPV**") facilities. It demonstrates the Group's commitment to shareholders, while taking every precaution to safeguard shareholders' safety and wellbeing.

The AGM serves as a forum for the shareholders to view the Group's performance and highlights for the year, industry overview, business transformation updates, and financial highlights. During the Fifty-Ninth AGM, the shareholders used the RPV facilities to pose questions in the deliberations of the proposed resolutions or 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 Fifty-Ninth AGM.

Additionally, detailed answers on questions raised by the Minority Shareholders Watch Group ("**MSWG**") were shared with all shareholders during the Fifty-Ninth AGM.

The Notice of the Fifty-Ninth AGM ("**Notice**") was issued to shareholders at least twenty eight (28) days prior to the Fifty-Ninth AGM, which allows shareholders sufficient time to make the necessary arrangements to attend the Fifty-Ninth AGM or to appoint a proxy(ies) to participate and vote on their behalf. The Notice is published in the local English and Bahasa Malaysia newspapers and made available on BAT Malaysia website at www.batmalaysia.com.

The summary of the Fifty-Ninth AGM (including the attendance of Directors, questions raised by shareholders and the respective responses, outcome of the online voting ("**e-voting**") results, and reply to the MSWG's queries) is made available to the shareholders and public at www.batmalaysia.com.

3. Remote E-voting

BAT Malaysia has RPV facilities in place to facilitate remote e-voting for the resolutions at its Fifty-Ninth AGM.

All resolutions set out in the Notice were voted remotely using the RPV facilities. The remote e-voting processes was explained during the general meeting and the remote e-voting poll results were verified by appointed scrutineers.

COMPLIANCE STATEMENT

The Board has deliberated, reviewed, and approved the Statement on Corporate Governance in line with the principles of the MCCG 2017. The Board is satisfied that the Group has fulfilled its obligation under the BAT Malaysia Code, MCCG 2017, Listing Requirements of Bursa Securities, and all applicable laws and regulations throughout the financial year ended 31 December 2020.

This Statement was approved by the Board on 10 February 2021.

STANDARDS OF BUSINESS CONDUCT

STATEMENT

Our Standards of Business Conduct (“Standards”) cover key areas and set out the values and behaviours that are expected of all employees across British American Tobacco (Malaysia) Berhad and its subsidiaries (“the Group”). As we value the diversity of our people and driving responsible behaviours, it is crucial to our continued success and ambitions of *A Better Tomorrow™* that our employees are always guided by a consistent set of rules and standards in all areas and our business results are always delivered with integrity.

The Standards:



Ensure that decisions and judgements made by employees are lawful and comply with high ethical standards.



Set a tone and culture for the organisation, which will enable it to be regarded as a good corporate citizen.



Help employees who are faced with making ethical judgements in the course of their work.



Give reassurance to the Group's stakeholders with whom the Group come into business contact.

The Standards are divided into the following seven (7) chapters:-

Standards of Business Conduct	
The Way We Work	
Speak Up	
Personal and Business Integrity	<ul style="list-style-type: none"> • Conflicts of Interest • Bribery and Corruption • Gifts and Entertainment
Workplace and Human Rights	<ul style="list-style-type: none"> • Respect in the Workplace • Human Rights and Our Operations
Lobbying and Public Contributions	<ul style="list-style-type: none"> • Lobbying and Engagement • Political Contributions • Charitable Contributions
Corporate Assets and Financial Integrity	<ul style="list-style-type: none"> • Accurate Accounting and Record Keeping • Protection of Corporate Assets • Data Privacy, Confidentiality and Information Security • Insider Dealing and Market Abuse
National and International Trade	<ul style="list-style-type: none"> • Competition Law and Anti-Trust Laws • Anti-Money Laundering and Tax Evasion • Anti-Illicit Trade • Sanctions

Adherence to the Standards are mandatory for all employees of the Group, including the Directors, and they are required to complete a training and an annual sign-off confirming their adherence to the Standards.

STANDARDS OF BUSINESS CONDUCT STATEMENT

KEY DEVELOPMENTS IN 2020:

Digital Transformation – Mobile Application

In 2020, the Group implemented the use of a mobile application containing the Standards and guidance on the Standards in line with our aim of digital transformation. With this application, all employees have easy and convenient access to the Standards at any time and can even report a breach or suspected breach of the Standards, disclose conflicts, and test their knowledge.

The Compliance Initiative



In the spirit of empowering our employees to be responsible, the Group also launched a Compliance Initiative targeted to create awareness and educate the Leadership Team and selected groups of employees on the Standards and relevant policies, procedures, and standards in view of the coming into force of section 17A of the Malaysian Anti-Corruption Commission Act and to reinforce our commitment to Delivering with Integrity.

A series of targeted training sessions were conducted and attended by our Leadership Team, all line managers, and all employees who may have dealings with public officials in the course of their duties. In addition, all third parties who engage with public officials on the Group's behalf were also trained on the relevant policies, procedures, and standards to ensure that they are aware and embody the key behaviours required when engaging on the Group's behalf.

The Way We Work

With the introduction of this into the Standards in 2020, the Group ensured that all line managers were trained on the Standards to equip them to coach their teams accordingly and on how to exercise ethical judgment in line with their role as key role models of the Standards.

Speak Up

The Group has in place a SPEAK UP hotline and portal, managed by a third party, which aim to provide adequate channels for concerns to be raised around the Standards. Apart from this, concerns can be raised to designated officers, human resources, line managers, or legal counsel. Under the Standards, all employees have a duty to report breaches that they know of or suspect.

The Group is committed to ensure that the identities of those who choose to speak up will be kept confidential and that all concerns are investigated fairly and objectively.

In line with this, the Group has in place Procedures on Incident Reporting and Investigation, which formally set out the process and procedures for reporting, investigation, and evaluation of any suspected wrongdoings or misconducts committed by any employee of the Group, and non-employee who is a business partner/service provider of the Group in a prompt and effective manner.

The evaluation of any incidences reported is conducted by a formal evaluation committee comprising most of the Group's Leadership Team ("EVT"). The EVT is tasked to effectively drive and evaluate the investigation of any reported incident and decide on appropriate action to be taken arising from the investigation and is guided in its review of all investigation of incidents reported by a set of standard operating procedures ("EVT SOP"). The EVT SOP amongst others sets out clearly the roles and responsibilities of the EVT and the timelines for the review to be completed to ensure that speedy action is taken after an incident has been reported.

Speak Up



STANDARDS OF BUSINESS CONDUCT STATEMENT

All incidents that are reported will be investigated by an investigation team mandated by the EVT to ensure that all cases that have been reported or discovered are investigated upon promptly. The reports of the investigation are then forwarded to the EVT for review and evaluation and if the case warrants it, police reports may be made and a domestic inquiry may be conducted and thereafter, the Group has the discretion to take the appropriate disciplinary action including issuance of warnings and dismissal. If any control weaknesses are identified by the investigation team, such weaknesses will be rectified to prevent future occurrences.

The outcome of the investigations and the actions taken by the Group will be reported to the Audit Committee of BAT Malaysia and further submitted to the Regional Audit Committee for British American Tobacco p.l.c. Group's Main Board Audit Committee. The Group maintains a register of all whistleblowing and breach of Standards incidences.

Conflicts of Interest

The Standards require that all employees disclose conflicts of interest as soon as they arise in order for them to be managed effectively and to prevent situations where personal interests may conflict with the interests of the Group. These include:

- (a) Family or personal relationships.
- (b) Financial interests.
- (c) Outside employment.
- (d) Corporate opportunity.

Once a conflict of interest is declared, the employee's line manager, together with legal counsel, will acknowledge and set any conditions required in order for the conflict of interest to be managed and these will be communicated to the employee.

These declarations are registered and maintained in the Group's conflict register and confirmed by the relevant employees every year as part of the annual year-end sign off.

For the year 2020, fifty four (54) employees made eighty one (81) declarations on potential conflicts of interest, of which sixty-five (65) declarations consisted of employees having family and/or personal relationships with another employee working within the Group or within the British American Tobacco p.l.c. Group, and sixteen (16) declarations were for other areas.

Anti-Bribery and Corruption

The Group has adopted a zero tolerance approach for bribery and corruption. It is wholly unacceptable for the Group, its employees, business partners and suppliers to be involved or implicated in any way in bribery and corrupt practices.

In line with the introduction of Section 17A of the Malaysian Anti-Corruption Commission Act, which came into force in June 2020, the Group has various policies, procedures, and standards, including the Procedures on Incident Reporting and Investigations Relating to Breach of the Standards of Business Conduct, Third Party Anti-Bribery and Corruption Procedure, and Group Whistleblowing Procedure to satisfy the Guidelines on Adequate Procedure.

Lobbying and Engagement

The Principles of Engagement previously mandated by the Group have in 2020 been incorporated as part of the Standards, by way of the Lobbying and Engagement policy. As the Group is committed to corporate transparency and is a responsible company, this policy mandates that all our engagement with external stakeholders are conducted with transparency, openness, and integrity.

In view of this policy and ongoing campaigns such as 'Stop the Black Market', all employees and third parties involved have been trained to ensure any lobbying and engagement is conducted in accordance with the Standards.

STANDARDS OF BUSINESS CONDUCT STATEMENT

Charitable Contributions

In recognition of the role of our business as a corporate citizen, the Group is encouraged to support local community and charitable projects. In doing this, the Group ensures that all charitable contributions are given for the right reasons, the reputation and status of the recipients are verified, and we fully record what we have given.

Supplier Code of Conduct

Whilst the Standards express the high standards of business integrity that is required from the employees of the Group, the Supplier Code of Conduct (“**SCoC**”) complements the Standards by defining the minimum standards that the Group expects from suppliers, contractors, and subcontractors.

The SCoC supports the Group’s continuing commitment to respect human rights and uphold international standards, which include the United Nations Guiding Principles on Business and Human Rights, and the Organisation for Economic Cooperation and Development Guidelines for Multinational Enterprises. 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 to the SCoC is mandatory and that any non-compliance with the SCoC is deemed a breach and the Group has the right to terminate agreements with the said contractors, service providers, suppliers, or distributors of the Group.

The Board and the Audit Committee of BAT Malaysia regularly monitor compliance with the Standards. The Company Secretary and the Legal Compliance Department are charged with the responsibility of reporting the aforesaid to the Board on an annual basis. Employees have a strict duty to report incidences of non-compliance with the Standards and any other incidences of wrongdoing at work. Our business partners are also welcomed to report their concerns and they can do so via the Speak Up portal.

The Standards are made available to our employees and the Board on the Group’s intranet (Interact) and corporate website at www.batmalaysia.com, and on the SoBC mobile application, whilst our business partners can find the Standards, along with the SCoC, on our corporate website.

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 2020.

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 2020, are as follows:

	Group (RM)	BAT Malaysia (RM)
Audit fees	538,000	382,000
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 2020 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 Fifty-Ninth ("59th") Annual General Meeting held on 15 June 2020, 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 23 March 2020). The Recurrent RPTs conducted during the financial year ended 31 December 2020 pursuant to the said mandate are disclosed in pages 200 to 202 of this Annual Report.

NOMINATION AND REMUNERATION COMMITTEE REPORT

The Nomination and Remuneration Committee (“NRC”) is pleased to present the NRC Report for the financial year ended 31 December 2020.

COMPOSITION AND MEETINGS

During the financial year ended 31 December 2020, the NRC met five (5) 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	5/5
Dato’ Chan Choon Ngai (Member)	Senior Independent Non-Executive Director (Re-designated on 1 March 2021)	5/5
Datuk Zainun Aishah binti Ahmad (Member)	Senior Independent Non-Executive Director (Resigned on 28 February 2021)	4/5

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 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 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.

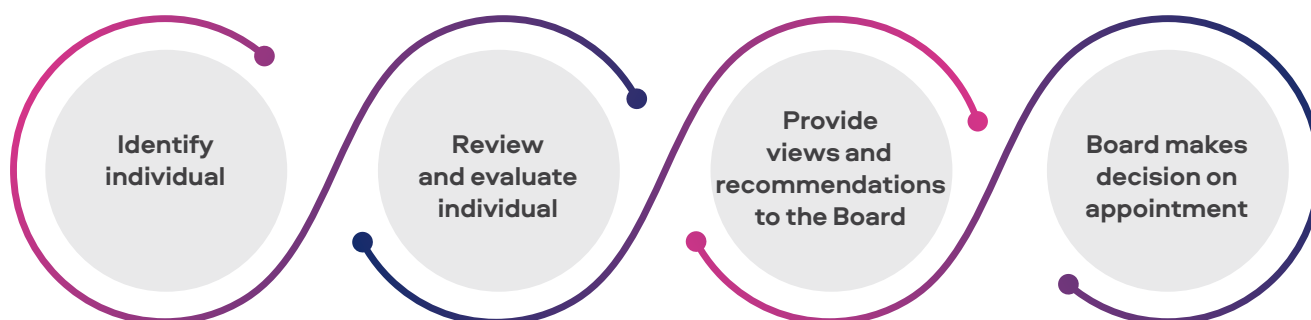
NOMINATION AND REMUNERATION COMMITTEE REPORT

The NRC also takes into consideration the following:

- a. Whether the individual meets the requirements for independence as defined in the Main Market Listing Requirements of Bursa Securities.
- b. The candidate's general understanding of the Group business and market.
- c. The candidate's general alignment with BAT Malaysia's 's strategic direction.
- d. Other factors that promote diversity of views and experience.

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 are 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 appointment or 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 Sixtieth AGM, have the experience, competency, integrity and professionalism in performing their respective duties.

NOMINATION AND REMUNERATION COMMITTEE REPORT

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

Re-election pursuant to Clauses 109.1 and 109.2 of the Constitution of BAT Malaysia:

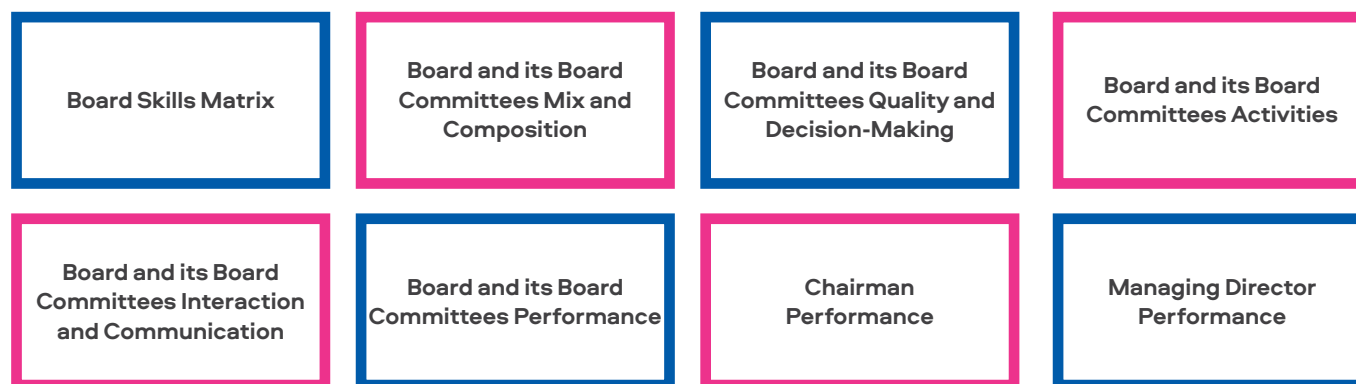
- i. Dato' Chan Choon Ngai
- ii. Eric Ooi Lip Aun

3. Annual Performance Assessments

The Board engaged an independent external consultant to facilitate its Board Effective Assessments exercised for the financial year ended 31 December 2019.

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 2020, the assessment process was conducted internally through questionnaires and the findings of the assessment were subsequently collected and analysed. 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 for the Board. A comprehensive assessment framework encompassing the following areas was used:

Board and its Board Committees Effectiveness



NOMINATION AND REMUNERATION COMMITTEE REPORT

Directors' Self and Peer Assessment



Fit & Proper



Dynamics & Participation



Calibre and Personality



Independence

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. The findings of the assessment will be used as a basis to enhance the Board's effectiveness.

SUMMARY OF ACTIVITIES

The NRC carried out the following activities during the financial year ended 31 December 2020:

- a. Reviewed and recommended the appointment and remuneration of a new Non-Independent Non-Executive Director and Managing Director.
- b. Recommended the re-election of Directors at the Fifty-Ninth AGM to the Board for consideration.
- c. Reviewed the analysis/findings of the Board Effectiveness Assessment conducted by an independent external consultant for the financial year 2019.
- d. Reviewed the tenure of the Independent Non-Executive Director.
- e. Reviewed the appointment and remuneration of the Leadership Team.
- f. Reviewed the NRC Report for inclusion into the 2019 Annual Report.
- g. Reviewed the fees and benefits of Non-Executive Directors.
- h. Reviewed and approved the annual bonus, salary increments and remuneration package for the Leadership Team.

AUDIT

COMMITTEE REPORT

The Audit Committee (“AC”) is pleased to present the AC Report for the financial year ended 31 December 2020.

COMPOSITION AND MEETINGS

During the financial year ended 31 December 2020, 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 <i>(Re-designated on 1 March 2021)</i>	4/4
Datuk Zainun Aishah binti Ahmad (Member)	Senior Independent Non-Executive Director <i>(Resigned on 28 February 2021)</i>	3/4

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 on 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 would provide 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 website at www.batmalaysia.com.

AUDIT COMMITTEE REPORT

SUMMARY OF ACTIVITIES

The AC carried out the following activities during the financial year ended 31 December 2020:

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 2020 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 2019 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 2020 which outlined audit materiality, audit scope, methodology and timing of audit, key milestones, involvement of IT specialists, audit focus areas including COVID-19 impact assessment, 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 2020.
- 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 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 Securities Listing Requirements.

AUDIT COMMITTEE REPORT

- 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 2019.

5. Other Activities

- a. Deliberated on reports on whistleblowing and breaches of the Standards of Business Conduct incidents.
- b. Deliberated on security and safety matters and loss reports.
- c. Deliberated on compliance sign-off for the Standards of Business Conduct and Internal Control.
- d. Deliberated on environmental, health and safety review reports.
- e. Deliberated on reports on the Control Navigator.
- f. Conducted AC self-assessment on the performance of the AC.

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, whilst 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 Group. The annual audit plan is developed based on the following:

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

AUDIT COMMITTEE REPORT

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 covers an end-to-end business process across multiple entities of the Group.
- b. Audits of Change focused on significant business change initiatives, including key projects and programmes.
- c. End Market Accountability Audits consider the Group's Top risks.
- d. Operations Audits continue to provide assurance over the core of our business, 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 request from Management request or request from the AC.

The annual audit plan considers the Group as an entity and can be viewed as having three elements:

- 1. Audits with only the Group in scope.
- 2. Audits for which the Group is one of many locations in scope.
- 3. Audits for which the Group is not in scope, but the results of such audits will provide assurance to the Group.

During the financial year 2020, the subject matter of audits and findings conducted by the BAT p.l.c. Group Internal Audit were as follows:

- a. Distribution and Warehouse Management Audit
- b. Global COVID-19 Health Checks Review¹

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

Note

¹ Audits conducted of processes and/or systems that provide assurance to the AC with regards to controls that are applicable to the Group.

RISK MANAGEMENT

COMMITTEE REPORT

The Risk Management Committee (“**RMC**”) is pleased to present the RMC Report for the financial year ended 31 December 2020.

COMPOSITION AND MEETINGS

During the financial year ended 31 December 2020, 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 <i>(Re-designated on 1 March 2021)</i>	4/4
Datuk Zainun Aishah binti Ahmad (Member)	Senior Independent Non-Executive Director <i>(Resigned on 28 February 2021)</i>	3/4
Ignacio Ballester (Member)	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 would provide a report to the Board, highlighting the significant points of discussion and recommendations for consideration at Board meetings.

TERMS OF REFERENCE

The Terms of Reference (“**TOR**”) of the RMC are available in the Corporate Governance section of BAT Malaysia website at www.batmalaysia.com.

SUMMARY OF ACTIVITIES

The RMC carried out the following activities during the financial year ended 31 December 2020:

- Reviewed the Group’s Risk Management Programme which includes the Group’s Top 20 risks and its mitigating actions, to ensure that all major risks were well managed and reported to the Board. During the year, COVID-19 related risks and mitigating actions were also deliberated.
- Reviewed the Group’s business continuity plans as part of its business continuity management.
- For any new project, ensured that robust risk assessments were carried out and mitigation plans were reviewed.

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, as well as 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 system 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 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. 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.

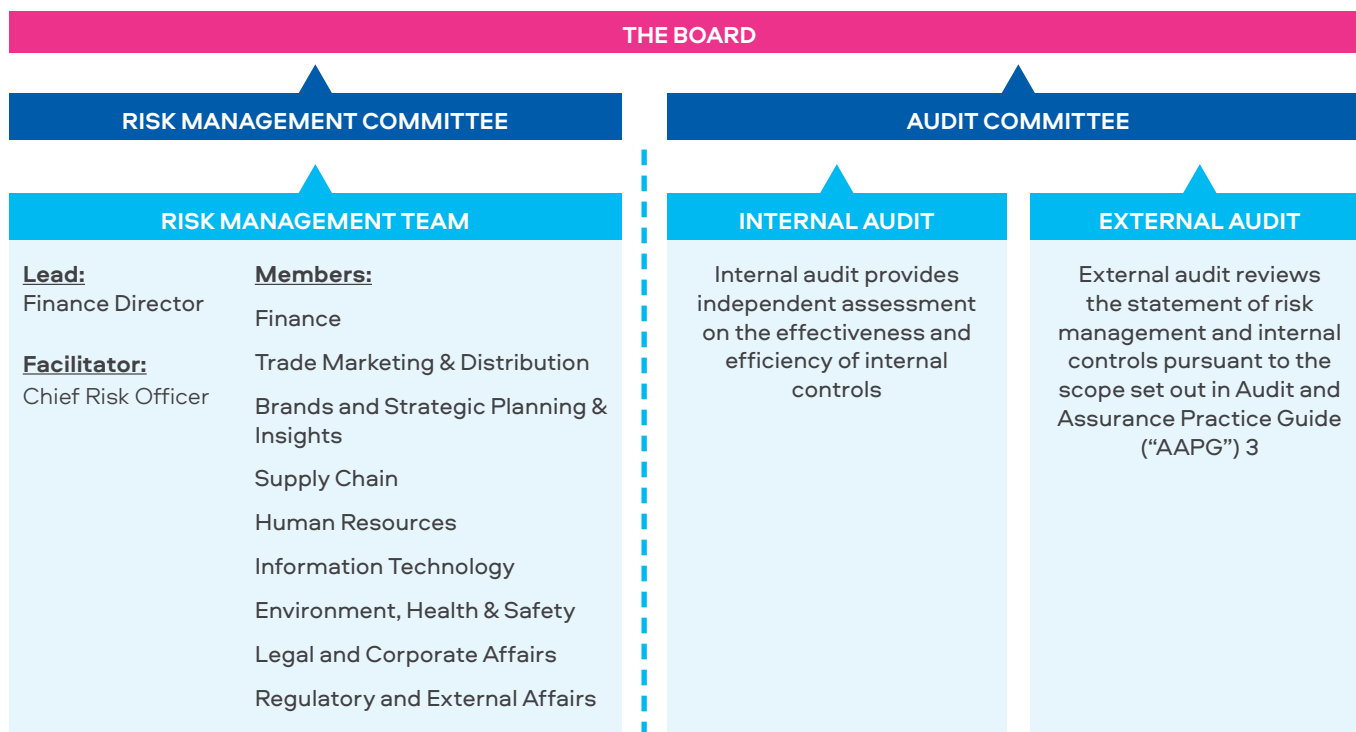
The Group's Standards of Business Conduct underpin our commitment to good corporate behaviour and are an integral part of the Group's system of corporate governance. The Standards of Business Conduct require all employees to act with high standards of business integrity, comply with all applicable laws 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 four 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 twice 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)



RISK HEAT MAP (Figure 2)

		LIKELIHOOD		
		Unlikely	Possible	Probable
IMPACT	High	3	6	9
	Medium	2	4	6
	Low	1	2	3

■ Key focus area

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 strategies or objectives and whether the risks are likely to occur (as per Figure 2):

- LIKELIHOOD of the risks crystallising
- IMPACT of the consequence

taking into account the degree of internal control and risk management measures in place.

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.

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 pro-active 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, life, 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 actions/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 of 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 2020, the Group had fifteen 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 or 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

CRISIS MANAGEMENT (Figure 3)



KEY RISKS TO THE GROUP

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

1. COVID-19 pandemic
2. Threat from illegal trade for tobacco and new categories
3. Tobacco and new categories regulations enacted that inhibits the Group's strategy for growth

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

2020 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 2020. 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.

STATEMENT ON RISK MANAGEMENT AND INTERNAL CONTROL

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 are mitigated.

Crisis Management Activation

In 2020, Crisis Management and Crisis Response Teams were activated in response to the national lockdown imposed in March and subsequent conditional movement control orders in place during the year as a result of the COVID-19 pandemic. In response to the situation, the Crisis Management Team has taken measures to protect the employees and assets of the company as well as ensuring the continuity of our business by:

- i) having work from home arrangement for our employees.
- ii) maintaining sufficient level of stock to avoid supply disruption.
- iii) taking the necessary precautionary steps in delivering goods to customers.
- iv) continuously monitoring our cashflow liquidity.
- v) 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. With these mitigating activities put in place as part of the crisis management activation, as described in the previous paragraph, the high impact and likelihood of the risks were reduced to a manageable level.

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 fifteen 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 or 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 2020, the Group’s Control Navigator was refreshed and updated.

STATEMENT ON RISK MANAGEMENT AND INTERNAL CONTROL

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.

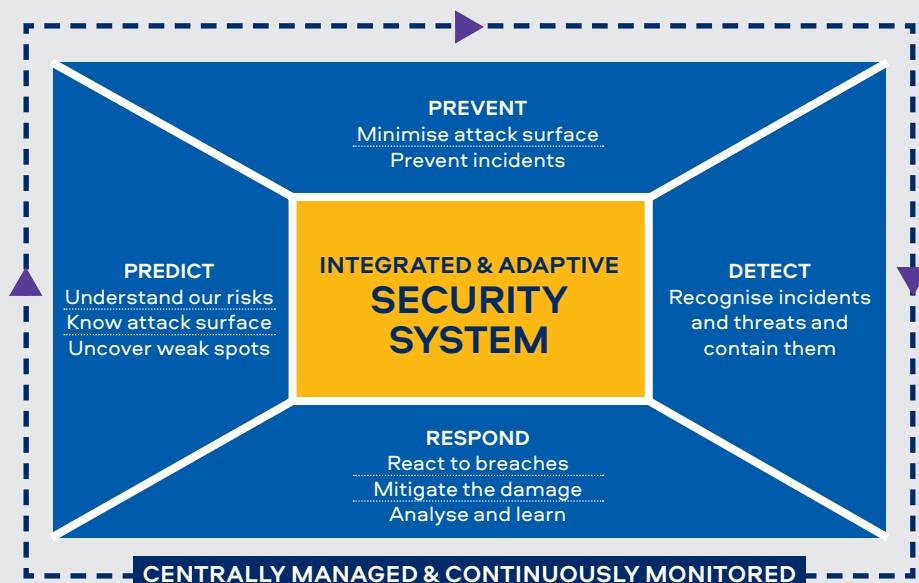
Information Technology (IT)

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.

"Predict, Prevent, Detect and Respond" FRAMEWORK (Figure 4)



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 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 which have been reviewed and approved by the Board are described below:

(a) Policies, Procedures and Limits of Authority

- Clearly defined delegation of responsibilities to committees of the Board 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 which 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 Issue; (6) Effective Market Focus Demand Issue and (7) Trade Debtor Management Issue.

STATEMENT ON RISK MANAGEMENT AND INTERNAL CONTROL

(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.

(e) Written Declarations

- Written declarations from all management personnel confirming their compliance with the Group's Standards of Business Conduct and where applicable conflicts of interest situations are disclosed.
- Written declarations from the Finance Director and Managing Director confirming their compliance with the Group's Standards of Internal Control.

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 was reported in 2020.

STATEMENT ON RISK MANAGEMENT AND INTERNAL CONTROL

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 2020 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 2020 Annual Report.

This Statement is made in accordance with the resolution of the Board of Directors on 10th February 2021.

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 2020, 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:

- (a) 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, or
- (b) 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.

Financial Statements

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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

for the year ended 31 December 2020

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 2020.

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 manufacture, importation and sale of cigarettes, pipe tobaccos, cigars and other tobacco 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	241,839	285,462

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 33.0 sen per ordinary share totalling RM94,224,900 in respect of the financial year ended 31 December 2019 on 18 March 2020.
- ii) first interim ordinary dividend of 17.0 sen per ordinary share totalling RM48,540,100 in respect of the financial year ended 31 December 2020 on 18 June 2020.
- iii) second interim ordinary dividend of 18.0 sen per ordinary share totalling RM51,395,400 in respect of the financial year ended 31 December 2020 on 19 August 2020.
- iv) third interim ordinary dividend of 21.0 sen per ordinary share totalling RM59,961,300 in respect of the financial year ended 31 December 2020 on 25 November 2020.

The Directors declared a fourth interim ordinary dividend of 27.0 sen per ordinary share at the Board of Directors' meeting on 10 February 2021 amounting to RM77,093,100 in respect of the financial year ended 31 December 2020 which will be paid on 9 March 2021 to shareholders registered in the Company's Register of Members at the close of business on 26 February 2021. These financial statements do not reflect the fourth interim ordinary dividend which will be accounted for in the financial year ending 31 December 2021.

The Board of Directors do not recommend the payment of a final dividend in respect of the financial year ended 31 December 2020.

DIRECTORS' REPORT

for the year ended 31 December 2020

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
 Datuk Lee Oi Kuan (f)
 Eric Ooi Lip Aun
 Hendrik Stoel (Resigned on 31 March 2020)
 Jonathan Darlow Reed (Appointed on 20 February 2020)
 Ignacio Ballester

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) (Appointed on 31 March 2020)
 C.K. Remeena A/P C.K. Prabhakaran (f) (Appointed on 20 November 2020)
 Yap Chee Keong (Resigned on 31 March 2020)
 Song Yik Lin (f)

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 1.1.2020	Bought	Sold	At 31.12.2020

Company

Shareholdings in the name of the Director:

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

DIRECTORS' REPORT

for the year ended 31 December 2020

Directors' Interests in Shares (continued)

	Number of ordinary shares in British American Tobacco p.l.c.			
	At 1.1.2020/ *date of appointment	Bought	Sold	At 31.12.2020

Ultimate Holding Company

- British American Tobacco p.l.c.

Shareholdings in the name of the Director:

Jonathan Darlow Reed	278	-	-	278
Datuk Lee Oi Kuan (f)	27,368	4,494	(1,492)	30,370
Ignacio Ballester	15,149	14,536	(12,139)	17,546

	Number of ordinary shares in British American Tobacco p.l.c.			
	At 1.1.2020/ *date of appointment	Awarded	Vested	At 31.12.2020

Ultimate Holding Company

- British American Tobacco p.l.c.

Deferred Share Bonus Scheme & International Share
Reward Scheme

Shareholdings in the name of the Director:

Jonathan Darlow Reed	4,237	1,950	(923)	5,264
Ignacio Ballester	4,577	2,104	(929)	5,752

DIRECTORS' REPORT

for the year ended 31 December 2020

Directors' Interests in Shares (continued)

	Number of options in ordinary shares in British American Tobacco p.l.c.				
	At 1.1.2020/ *date of appointment	Granted	Exercised	Lapsed	At 31.12.2020
Ultimate Holding Company					
- British American Tobacco p.l.c.					
Long-Term Incentive Plan					
Shareholdings in the name of the Director:					
Jonathan Darlow Reed					
LTIP (27 March 2025)	1,866	-	(1,866)	-	-
LTIP (27 March 2027)	1,484	-	(1,037)	(447)	-
LTIP (26 March 2028)	2,095	-	-	-	2,095
LTIP (28 March 2029)	2,726	-	-	-	2,726
LTIP (30 March 2030)	-	8,429	-	-	8,429
Ignacio Ballester					
LTIP (25 March 2020)	1,024	-	(1,024)	-	-
LTIP (25 March 2021)	622	-	(622)	-	-
LTIP (22 March 2023)	96	-	(96)	-	-
LTIP (28 March 2024)	1,010	-	(1,010)	-	-
LTIP (27 March 2025)	1,987	-	(1,987)	-	-
LTIP (12 May 2026)	1,360	-	(1,360)	-	-
LTIP (27 March 2027)	1,593	-	(1,113)	(480)	-
LTIP (26 March 2028)	2,238	-	-	-	2,238
LTIP (28 March 2029)	2,901	-	-	-	2,901
LTIP (30 March 2030)	-	2,120	-	-	2,120

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' REPORT

for the year ended 31 December 2020

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.

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 RM4,143,000 and RM21,000 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

DIRECTORS' REPORT**for the year ended 31 December 2020****Other Statutory Information (continued)**

- 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.

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 2020 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

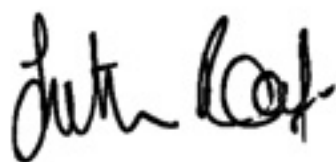
The Directors regard British American Tobacco Holdings (Malaysia) B.V. (incorporated in Netherlands) as its immediate holding company and British American Tobacco p.l.c. (incorporated in England and Wales) as its ultimate holding company.

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:



Jonathan Darlow Reed
Managing Director



Ignacio Ballester
Finance Director

Kuala Lumpur

Date: 10 February 2021

INCOME STATEMENTS

for the year ended 31 December 2020

	Note	Group		Company	
		2020 RM'000	2019 RM'000	2020 RM'000	2019 RM'000
Revenue	3	2,315,481	2,508,554	300,998	323,493
Cost of sales		(1,718,270)	(1,790,905)	-	-
Gross profit		597,211	717,649	300,998	323,493
Other operating income		899	5,622	507	2,299
Distribution and marketing costs		(150,505)	(137,001)	-	-
Administrative expenses		(91,663)	(105,414)	(7,196)	(1,725)
Other operating expenses		(9,485)	(2,639)	-	-
Profit from operations		346,457	478,217	294,309	324,067
Finance costs		(17,172)	(15,963)	(7,141)	(16,270)
Profit before tax	4	329,285	462,254	287,168	307,797
Tax expense	7	(87,446)	(116,555)	(1,706)	(2,048)
Profit for the year		241,839	345,699	285,462	305,749

The notes on pages 135 to 203 are an integral part of these financial statements.

STATEMENTS OF

OTHER COMPREHENSIVE INCOME

for the year ended 31 December 2020

	Note	Group		Company	
		2020 RM'000	2019 RM'000	2020 RM'000	2019 RM'000
Profit for the year		241,839	345,699	285,462	305,749
Other comprehensive income, net of tax:					
Items that may be subsequently reclassified to income statement					
- changes in fair value of cash flow hedges	21	(4,815)	(2,480)	-	-
- deferred tax on fair value changes on cash flow hedges	14	1,155	595	-	-
Total other comprehensive expense for the financial year, net of tax		(3,660)	(1,885)	-	-
Total comprehensive income for the financial year		238,179	343,814	285,462	305,749
Profit attributable to:					
Shareholders of the Company		241,839	345,699	285,462	305,749
Total comprehensive income for the financial year attributable to:					
Shareholders of the Company		238,179	343,814	285,462	305,749
Basic earnings per ordinary share (sen)	8	84.7	121.1		

The notes on pages 135 to 203 are an integral part of these financial statements.

BALANCE SHEETS

as at 31 December 2020

	Note	Group		Company	
		2020 RM'000	2019 RM'000	2020 RM'000	2019 RM'000
Assets					
Property, plant and equipment	10	57,540	65,505	30,070	35,414
Computer software	11	-	1,429	-	3
Goodwill	12	411,618	411,618	-	-
Subsidiaries	13	-	-	723,395	973,395
Deferred tax assets	14	15,455	19,376	3,771	5,335
Total non-current assets		484,613	497,928	757,236	1,014,147
Assets held for sale	15	-	234	-	234
Inventories	16	229,942	98,251	-	-
Tax recoverable		3,865	8,222	544	2,038
Trade and other receivables	17	396,454	402,947	13,089	35,977
Derivative financial instruments	21	93	177	-	-
Cash and bank balances		29,002	20,386	17,185	12,286
Total current assets		659,356	530,217	30,818	50,535
Total assets		1,143,969	1,028,145	788,054	1,064,682
Equity					
Share capital		142,765	142,765	142,765	142,765
Cash flow hedge reserve		(5,171)	(1,511)	-	-
Retained earnings		235,045	247,327	349,367	318,026
Total equity attributable to the owners of the Company	18	372,639	388,581	492,132	460,791

BALANCE SHEETS
as at 31 December 2020
(continued)

	Note	Group		Company	
		2020 RM'000	2019 RM'000	2020 RM'000	2019 RM'000
Liabilities					
Lease liabilities	22	19,218	21,844	17,245	20,707
Total non-current liabilities		19,218	21,844	17,245	20,707
Trade and other payables	19	198,835	170,661	275,212	580,605
Borrowings	20	510,000	421,000	-	-
Derivative financial instruments	21	7,002	2,171	-	-
Lease liabilities	22	6,307	4,357	3,465	2,579
Current tax liabilities		29,968	19,531	-	-
Total current liabilities		752,112	617,720	278,677	583,184
Total liabilities		771,330	639,564	295,922	603,891
Total equity and liabilities		1,143,969	1,028,145	788,054	1,064,682

The notes on pages 135 to 203 are an integral part of these financial statements.

CONSOLIDATED STATEMENT

OF CHANGES IN EQUITY

for the year ended 31 December 2020

	Note	-----Non-distributable-----			Distributable	
		Share capital RM'000	Cash flow hedge reserve RM'000	Share-based payment reserve RM'000	Retained earnings RM'000	Total 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						
- 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	(5,171)	-	235,045	372,639

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

for the year ended 31 December 2020

(continued)

	Note	Non-distributable			Distributable	
		Share capital RM'000	Cash flow hedge reserve RM'000	Share-based payment reserve RM'000	Retained earnings RM'000	Total RM'000
Group						
At 1 January 2019		142,765	374	-	278,528	421,667
Profit for the year		-	-	-	345,699	345,699
Other comprehensive (expense)/ income:						
- changes in fair value of cash flow hedges	21	-	(2,480)	-	-	(2,480)
- deferred tax on fair value changes on cash flow hedges	14	-	595	-	-	595
Total comprehensive income		-	(1,885)	-	345,699	343,814
Transactions with shareholders:						
Expense arising from equity- settled share-based payment transactions	24	-	-	5,775	-	5,775
Recharge of share-based payments	24	-	-	(5,775)	-	(5,775)
Dividends for financial year ended 31 December 2018						
- fourth interim	9	-	-	-	(134,199)	(134,199)
Dividends for financial year ended 31 December 2019						
- first interim	9	-	-	-	(85,659)	(85,659)
- second interim	9	-	-	-	(74,238)	(74,238)
- third interim	9	-	-	-	(82,804)	(82,804)
Total transactions with shareholders of the Company		-	-	-	(376,900)	(376,900)
At 31 December 2019		142,765	(1,511)	-	247,327	388,581

The notes on pages 135 to 203 are an integral part of these financial statements.

STATEMENT OF CHANGES IN EQUITY

for the year ended 31 December 2020

	Note	-----Non-distributable-----		Distributable	
		Share capital RM'000	Share-based payment reserve RM'000	Retained earnings RM'000	Total 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

STATEMENT OF CHANGES IN EQUITY

for the year ended 31 December 2020
(continued)

	Note	-----Non-distributable-----		Distributable	
		Share capital RM'000	Share-based payment reserve RM'000	Retained earnings RM'000	Total RM'000
Company					
At 1 January 2019		142,765	-	389,177	531,942
Profit for the year		-	-	305,749	305,749
Total comprehensive income		-	-	305,749	305,749
Transactions with shareholders:					
Expense arising from equity-settled share-based payment transactions	24	-	3,729	-	3,729
Recharge of share-based payments	24	-	(3,729)	-	(3,729)
Dividend for financial year ended 31 December 2018					
- fourth interim	9	-	-	(134,199)	(134,199)
Dividends for financial year ended 31 December 2019					
- first interim	9	-	-	(85,659)	(85,659)
- second interim	9	-	-	(74,238)	(74,238)
- third interim	9	-	-	(82,804)	(82,804)
Total transactions with shareholders of the Company		-	-	(376,900)	(376,900)
At 31 December 2019		142,765	-	318,026	460,791

The notes on pages 135 to 203 are an integral part of these financial statements.

STATEMENTS OF CASH FLOWS

for the year ended 31 December 2020

	Note	Group		Company	
		2020 RM'000	2019 RM'000	2020 RM'000	2019 RM'000
Operating activities					
Cash receipts from customers and fellow subsidiaries		2,355,177	2,467,068	119,115	98,404
Cash paid to suppliers, employees and fellow subsidiaries		(2,091,486)	(2,019,307)	(106,541)	(76,764)
Dividends received from subsidiaries		-	-	294,146	314,101
Cash from operations	23	263,691	447,761	306,720	335,741
Income tax (paid)/refund		(67,576)	(116,673)	1,352	1,208
Net cash flow from operating activities		196,115	331,088	308,072	336,949
Investing activities					
Property, plant and equipment	10				
- additions		(3,424)	(7,399)	(1,436)	(1,603)
- disposals		1,585	3,212	336	258
Assets held for sale					
- disposals		620	1,330	620	1,330
Capital repayment from a subsidiary		-	-	250,000	-
Interest income received		863	1,163	489	794
Net cash flow (used in)/from investing activities		(356)	(1,694)	250,009	779

STATEMENTS OF CASH FLOWS

for the year ended 31 December 2020
(continued)

	Note	Group		Company	
		2020 RM'000	2019 RM'000	2020 RM'000	2019 RM'000
Financing activities					
Dividends paid to shareholders	9	(254,121)	(376,900)	(254,121)	(376,900)
Interest expense paid on borrowings		(16,280)	(14,849)	(6,348)	(15,264)
Net drawdown of borrowings	20	89,000	11,000	-	-
Repayment to subsidiary		-	-	(289,442)	(2,019)
Payment on lease liabilities		(4,850)	(5,772)	(2,478)	(3,583)
Interest paid in relation to lease liabilities		(892)	(1,114)	(793)	(1,006)
Net cash flow used in financing activities		(187,143)	(387,635)	(553,182)	(398,772)
Net increase/(decrease) in cash and bank balances		8,616	(58,241)	4,899	(61,044)
Cash and bank balances at 1 January		20,386	78,627	12,286	73,330
Cash and bank balances at 31 December		29,002	20,386	17,185	12,286

The notes on pages 135 to 203 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 2020 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 manufacture, importation and sale of cigarettes, pipe tobaccos, cigars and other tobacco 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 10 February 2021.

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 2021

- Amendments to MFRS 9, *Financial Instruments*, MFRS 139, *Financial Instruments: Recognition and Measurement*, MFRS 7, *Financial Instruments: Disclosures*, MFRS 4, *Insurance Contracts* and MFRS 16, *Leases – Interest Rate Benchmark Reform – Phase 2*

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 101, *Presentation of Financial Statements – Classification of Liabilities as Current or Non-current*

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 2021 for the amendment that is effective for annual periods beginning on or after 1 January 2021;
- 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.

NOTES TO THE FINANCIAL STATEMENTS

2. Significant Accounting Policies (continued)

(a) Basis of Consolidation (continued)

(ii) Business Combinations (continued)

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.

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.

NOTES TO THE FINANCIAL STATEMENTS

2. Significant Accounting Policies (continued)

(b) Foreign Currency (continued)

Foreign Currency Transactions (continued)

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.

(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.

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

(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 at 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.

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.

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)*****(c) Fair Value through Profit or Loss (continued)**

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)).

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.

NOTES TO THE FINANCIAL STATEMENTS

2. Significant Accounting Policies (continued)

(c) Financial Instruments (continued)

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

Financial Liabilities (continued)

(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.

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.

NOTES TO THE FINANCIAL STATEMENTS

2. Significant Accounting Policies (continued)

(c) Financial Instruments (continued)

(iii) Hedge Accounting (continued)

Cash Flow Hedge (continued)

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.

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.

NOTES TO THE FINANCIAL STATEMENTS

2. Significant Accounting Policies (continued)

(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.

(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.

NOTES TO THE FINANCIAL STATEMENTS

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

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

Leasehold land	15 to 45 years
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.

NOTES TO THE FINANCIAL STATEMENTS

2. Significant Accounting Policies (continued)

(e) Leases (continued)

(ii) Recognition and Initial Measurement (continued)

(b) As a Lessor (continued)

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.

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)).

NOTES TO THE FINANCIAL STATEMENTS

2. Significant Accounting Policies (continued)

(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.

(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.

NOTES TO THE FINANCIAL STATEMENTS

2. Significant Accounting Policies (continued)

(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.

(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.

NOTES TO THE FINANCIAL STATEMENTS

2. Significant Accounting Policies (continued)

(k) Impairment (continued)

(i) Financial Assets (continued)

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.

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.

NOTES TO THE FINANCIAL STATEMENTS

2. Significant Accounting Policies (continued)

(k) Impairment (continued)

(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.

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.

NOTES TO THE FINANCIAL STATEMENTS

2. Significant Accounting Policies (continued)

(l) Equity Instruments (continued)

(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.

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.

NOTES TO THE FINANCIAL STATEMENTS

2. Significant Accounting Policies (continued)

(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.

(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.

NOTES TO THE FINANCIAL STATEMENTS

2. Significant Accounting Policies (continued)

(o) Revenue and Other Income (continued)

(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.

NOTES TO THE FINANCIAL STATEMENTS

2. Significant Accounting Policies (continued)

(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.

(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.

NOTES TO THE FINANCIAL STATEMENTS

2. Significant Accounting Policies (continued)

(w) Non-current Asset Held for Sale or Distribution to Shareholders (continued)

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.

3. Revenue

	Group		Company	
	2020 RM'000	2019 RM'000	2020 RM'000	2019 RM'000
Revenue from contracts with customers:				
Sale of cigarettes, pipe tobaccos, cigars and other tobacco products	2,315,481	2,508,554	-	-
Other revenue:				
Dividend income from unquoted subsidiaries	-	-	294,146	314,101
Management fee from subsidiaries	-	-	4,305	6,807
Fee for usage of property, plant and equipment from subsidiaries	-	-	2,547	2,585
	2,315,481	2,508,554	300,998	323,493

The Group is primarily engaged in the manufacture, importation and sale of cigarettes and other tobacco products. Revenue of the Group is recognised at a point in time when it transfers controls 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).

The Group applies the practical expedients exemption on disclosure of information on remaining performance obligations that have original expected durations of one year or less.

NOTES TO THE FINANCIAL STATEMENTS

4. Profit Before Tax

	Note	Group		Company	
		2020 RM'000	2019 RM'000	2020 RM'000	2019 RM'000
Profit before tax is arrived at after charging:					
Auditors' remuneration:					
- statutory audit		538	538	382	382
- non-audit fees		246	170	246	170
Raw materials and consumables used		171,356	182,848	-	-
Excise duties		1,298,818	1,347,944	-	-
Staff costs	6	75,324	83,251	16,489	16,488
Property, plant and equipment:					
- depreciation	10	7,519	7,501	2,607	2,730
- depreciation of right-of-use assets	10	6,269	6,732	3,724	4,165
- loss on disposal		351	26	181	152
- write-off		5	10	-	2
Computer software:					
- amortisation	11	3	-	3	-
- write-off		1,426	-	-	-
Net loss on impairment of financial assets at amortised cost		99	18	-	-
Expenses relating to:					
- short-term lease	a	861	1,880	198	937
- low-value assets		-	20	-	-
Inventories written-down		11,341	11,478	-	-
Finance costs:					
- lease liabilities		892	1,114	793	1,006
- borrowings		16,280	14,849	6,348	15,264
Net foreign exchange loss		930	-	368	-
Restructuring expenses	30	18,825	15,420	4,740	2,330

NOTES TO THE FINANCIAL STATEMENTS

4. Profit Before Tax (continued)

	Note	Group		Company	
		2020 RM'000	2019 RM'000	2020 RM'000	2019 RM'000
and after crediting:					
Gain on derecognition of lease contract		166	-	166	-
Gain on disposal of assets held for sale		386	1,031	386	1,031
Net foreign exchange gain		-	1,050	-	471
Interest income on deposits		863	1,163	489	794

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.

5. Directors' Remuneration

	Group		Company	
	2020 RM'000	2019 RM'000	2020 RM'000	2019 RM'000
Fees	574	778	574	778
Other emoluments	8,604	8,949	8,604	8,949
	9,178	9,727	9,178	9,727

The estimated monetary value of benefits in kind provided to Directors of the Group and of the Company during the financial year amounted to RM1,325,000 (2019: RM829,000) and RM1,325,000 (2019: RM829,000) respectively.

Included within other emoluments are share-based payments amounting to RM6,000 (2019: RM644,000) 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 RM400,000 (2019: RM520,000).

Details of the movements of certain Directors' equity-settled share-based payments arrangements during the financial year ended 2020, 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.

NOTES TO THE FINANCIAL STATEMENTS

5. Directors' Remuneration (continued)

	Number of ordinary shares in British American Tobacco p.l.c.				
	At 1.1.2020	Awarded	Vested	Other movements*	At 31.12.2020
Executive Directors					
Deferred Share Bonus Scheme	15,110	3,804	(1,718)	(6,794)	10,402
International Share Reward Scheme	498	250	(134)	-	614
	15,608	4,054	(1,852)	(6,794)	11,016

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 1.1.2020	Granted	Exercised	Other movements*	At 31.12.2020
£22.58	1,024	-	(1,024)	-	-
£23.77	622	-	(622)	-	-
£35.05	96	-	(96)	-	-
£32.58	1,010	-	(1,010)	-	-
£36.25	1,987	-	(3,853)	1,866	-
£42.34	1,360	-	(1,360)	-	-
£52.11	9,882	-	(2,150)	(7,732)	-
£38.94	14,238	-	-	(9,905)	4,333
£30.83	18,502	-	-	(12,875)	5,627
£26.33	-	10,549	-	-	10,549
	48,721	10,549	(10,115)	(28,646)	20,509

* 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	
	2020 RM'000	2019 RM'000	2020 RM'000	2019 RM'000
Wages, salaries and bonuses	42,148	63,426	9,260	11,897
Defined contribution plan	5,062	8,409	672	827
Other staff related expenses	28,114	11,416	6,557	3,764
	75,324	83,251	16,489	16,488

The Group voluntarily provides additional 4 percent Employees Provident Fund (EPF) contributions over the statutory requirement for a significant number of existing employees who participate in a defined contribution scheme offered by the Group.

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 RM20,158,000 for the year ended 31 December 2020 (2019: RM15,664,000).

7. Tax Expense

	Group		Company	
	2020 RM'000	2019 RM'000	2020 RM'000	2019 RM'000
Current tax expense				
- current year	80,661	101,989	139	248
- under provision in prior year	1,709	2,036	3	-
	82,370	104,025	142	248
Deferred tax expense/(credit)				
- reversal and origination of temporary differences	5,842	14,658	1,489	3,859
- (over)/under provision in prior year	(766)	(2,128)	75	(2,059)
	5,076	12,530	1,564	1,800
	87,446	116,555	1,706	2,048

NOTES TO THE FINANCIAL STATEMENTS

7. Tax Expense (continued)

	Group		Company	
	2020 %	2019 %	2020 %	2019 %
Reconciliation of tax expense				
Statutory tax rate	24	24	24	24
Expenses not deductible for tax purposes	3	2	2	1
Income not subject to tax	-	(1)	(25)	(24)
Average effective tax rate	27	25	1	1

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	
	2020	2019
Profit for the year (RM'000)	241,839	345,699
Number of ordinary shares at 31 December ('000)	285,530	285,530
Basic earnings per ordinary share (sen)	84.7	121.1

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.

NOTES TO THE FINANCIAL STATEMENTS

9. Dividends

Dividends paid or declared in respect of the financial year are as follows:

	Sen per share	Total amount RM'000
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

2019

Fourth interim dividend 2018	47.0	134,199
First interim dividend 2019	30.0	85,659
Second interim dividend 2019	26.0	74,238
Third interim dividend 2019	29.0	82,804
Total amount	132.0	376,900

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 10 February 2021 amounting to RM77,093,100 in respect of the financial year ended 31 December 2020 which will be paid on 9 March 2021 to shareholders registered in the Company's Register of Members at the close of business on 26 February 2021. These financial statements do not reflect the fourth interim ordinary dividend which will be accounted for in the financial year ending 31 December 2021.

The Board of Directors do not recommend the payment of a final dividend in respect of the financial year ended 31 December 2020.

NOTES TO THE FINANCIAL STATEMENTS

10. Property, Plant and Equipment

	Freehold land	Leasehold land	Buildings (owned)	Buildings (right- of-use assets)*	Machinery and equipment	Furniture and fittings	Motor vehicles	Capital work-in- progress	Total
Group	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
Cost									
At 1 January 2019	105	222	343	30,439	5,823	25,365	34,908	-	97,205
Additions	-	-	-	1,534	-	937	6,444	18	8,933
Disposals	-	-	-	-	-	-	(8,902)	-	(8,902)
Write-off	-	-	-	-	-	(2,277)	-	-	(2,277)
Reclassifications to assets held for sale	(105)	(222)	(343)	-	-	-	-	-	(670)
At 31 December 2019/ 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	-	-	-	35,396	5,823	26,360	28,200	30	95,809

NOTES TO THE FINANCIAL STATEMENTS

10. Property, Plant and Equipment (continued)

Group	Freehold land RM'000	Leasehold land RM'000	Buildings (owned) RM'000	Buildings (right- of-use assets)* RM'000	Machinery and equipment RM'000	Furniture and fittings RM'000	Motor vehicles RM'000	Capital work-in- progress RM'000	Total RM'000
Accumulated depreciation									
At 1 January 2019	-	53	343	-	248	9,382	12,709	-	22,735
Charge for the year	-	1	5	6,732	284	3,828	3,383	-	14,233
Disposals	-	-	-	-	-	-	(5,664)	-	(5,664)
Write-off	-	-	(149)	-	-	(2,118)	-	-	(2,267)
Reclassifications to assets held for sale	-	(54)	(199)	-	-	-	-	-	(253)
At 31 December 2019/ 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	-	-	-	12,084	816	14,033	11,336	-	38,269
Carrying amounts									
At 1 January 2019	105	169	-	-	5,575	15,983	22,199	-	44,031
At 31 December 2019/ 1 January 2020	-	-	-	25,241	5,291	12,933	22,022	18	65,505
At 31 December 2020	-	-	-	23,312	5,007	12,327	16,864	30	57,540

NOTES TO THE FINANCIAL STATEMENTS

10. Property, Plant and Equipment (continued)

				Buildings (right- of-use assets)*	Furniture and fittings	Motor vehicles	Capital work-in- progress	Total
Company	Freehold land	Leasehold land	Buildings (owned)	RM'000	RM'000	RM'000	RM'000	RM'000
Cost								
At 1 January 2019	105	222	343	26,772	17,502	2,707	-	47,651
Additions	-	-	-	97	449	1,154	-	1,700
Disposals	-	-	-	-	-	(1,171)	-	(1,171)
Write-off	-	-	-	-	(1,042)	-	-	(1,042)
Reclassifications to assets held for sale	(105)	(222)	(343)	-	-	-	-	(670)
At 31 December 2019/ 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	-	-	-	26,020	18,132	1,763	30	45,945

NOTES TO THE FINANCIAL STATEMENTS

10. Property, Plant and Equipment (continued)

Company	Freehold land RM'000	Leasehold land RM'000	Buildings (owned) RM'000	Buildings (right-of-use assets)* RM'000	Furniture and fittings RM'000	Motor vehicles RM'000	Capital work-in progress RM'000	Total RM'000
Accumulated depreciation								
At 1 January 2019	-	53	343	-	4,875	942	-	6,213
Charge for the year	-	1	5	4,165	2,351	373	-	6,895
Disposals	-	-	-	-	-	(761)	-	(761)
Write-off	-	-	(149)	-	(891)	-	-	(1,040)
Reclassifications to assets held for sale	-	(54)	(199)	-	-	-	-	(253)
At 31 December 2019/ 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	-	-	-	6,972	8,404	499	-	15,875
Carrying amounts								
At 1 January 2019	105	169	-	-	12,627	1,765	-	14,666
At 31 December 2019/ 1 January 2020	-	-	-	22,704	10,574	2,136	-	35,414
At 31 December 2020	-	-	-	19,048	9,728	1,264	30	30,070

* The Group leases office building, warehouse and factory that run for 3 to 5 years, with an option to renew the lease after that date.

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.

NOTES TO THE FINANCIAL STATEMENTS

10. Property, Plant and Equipment (continued)

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	
	2020 RM'000	2019 RM'000	2020 RM'000	2019 RM'000
Cost				
At 1 January	2,000	2,000	87	87
Write-off	(1,913)	-	-	-
At 31 December	87	2,000	87	87
Accumulated amortisation				
At 1 January	571	571	84	84
Charge for the year	3	-	3	-
Write-off	(487)	-	-	-
At 31 December	87	571	87	84
Carrying amounts				
At 31 December	-	1,429	-	3

NOTES TO THE FINANCIAL STATEMENTS

12. Goodwill

	Group	
	2020 RM'000	2019 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 (2019: ten years) based on historical growth rate, taking into account industry developments and at the pre-tax discount rate of 10.2 percent (2019: 13.8 percent).

Based on the assessment, the recoverable amount exceeded the carrying amount of the goodwill. Accordingly, no impairment loss was recognised in 2020 (2019: 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	
	2020 RM'000	2019 RM'000
Cost		
Unquoted shares in subsidiaries	725,262	975,262
Impairment losses	(1,867)	(1,867)
	723,395	973,395

The impairment loss recognised by the Company in prior years was in respect of its investment cost in Rothmans Brands Sdn. Bhd.

During the year, Tobacco Importers and Manufacturers Sdn. Berhad ("TIM"), a wholly-owned subsidiary of the Company had undertaken a selective capital reduction pursuant to Section 116(7) of the Companies Act 2016 to cancel 250,000,000 ordinary shares in TIM resulting in TIM's paid up capital being reduced from 310,988,952 ordinary shares to 60,988,952 ordinary shares and the credit of RM250,000,000 arising from the cancellation of 250,000,000 ordinary shares in TIM held by the Company had been distributed in cash to the Company.

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	Marketing and importation of cigarettes, pipe tobaccos, cigars and other tobacco products
Rothmans Brands Sdn. Bhd.	Malaysia	Holding of trademarks
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

* Not audited by KPMG PLT.

14. Deferred Tax

	Note	Group		Company	
		2020 RM'000	2019 RM'000	2020 RM'000	2019 RM'000
Deferred tax assets					
At 1 January		19,376	31,311	5,335	7,135
Charged to income statements	14(i)	(5,076)	(12,530)	(1,564)	(1,800)
Credited to statements of other comprehensive income	14(ii)	1,155	595	-	-
At 31 December		15,455	19,376	3,771	5,335
Represented by:					
Property, plant and equipment		993	2,196	408	372
Tax losses		1,604	3,025	1,604	3,025
Provisions		11,221	13,674	1,759	1,938
Cash flow hedge		1,637	481	-	-
Deferred tax assets (before offsetting)		15,455	19,376	3,771	5,335
Offsetting		-	-	-	-
Deferred tax assets (after offsetting)		15,455	19,376	3,771	5,335

NOTES TO THE FINANCIAL STATEMENTS

14. Deferred Tax (continued)

The analysis of deferred tax assets and deferred tax liabilities is as follows:

	Group		Company	
	2020 RM'000	2019 RM'000	2020 RM'000	2019 RM'000
Deferred tax assets				
Deferred tax assets to be recovered after more than 12 months	2,597	5,221	2,011	3,397
Deferred tax assets to be recovered within 12 months	12,858	14,155	1,760	1,938
At 31 December	15,455	19,376	3,771	5,335
(i) Charged to income statements:				
- Charged in respect of deferred tax assets	(5,076)	(12,530)	(1,564)	(1,800)
Net charge to income statements	(5,076)	(12,530)	(1,564)	(1,800)
(ii) Credited to statements of other comprehensive income:				
- Credited in respect of deferred tax assets	1,155	595	-	-
Net credit to statements of other comprehensive income	1,155	595	-	-

In accordance with current tax legislation, the unabsorbed tax losses will expire in YA 2025. The balance of unabsorbed tax losses as at 31 December 2020 is RM6,684,000 (2019: RM12,604,000).

NOTES TO THE FINANCIAL STATEMENTS

15. Assets Held for Sale

	Group and Company	
	2020 RM'000	2019 RM'000
At 1 January	234	116
Transfer from property, plant and equipment	-	417
Disposals	(234)	(299)
At 31 December	-	234

The prior year movements to assets held for sale was mainly attributed to the shop and office of the Group. The sale has been completed in March 2020.

16. Inventories

	Group	
	2020 RM'000	2019 RM'000
Raw materials	671	140
Finished goods	229,271	98,111
	229,942	98,251
Recognised in income statement:		
Inventories recognised as cost of sales	1,457,755	1,528,690
Write-down to net realisable value	11,341	11,478

NOTES TO THE FINANCIAL STATEMENTS

17. Trade and Other Receivables

	Note	Group		Company	
		2020 RM'000	2019 RM'000	2020 RM'000	2019 RM'000
Trade receivables	17.1	212,535	227,173	-	-
Allowance for impairment	17.1	(216)	(117)	-	-
Trade receivables, net		212,319	227,056	-	-
Amounts due from fellow subsidiaries*	17.2	9,846	30,039	4,402	315
Amounts due from subsidiaries	17.3	-	-	7,054	33,680
Other receivables, deposits and prepayments	17.4	174,289	145,852	1,633	1,982
		184,135	175,891	13,089	35,977
Total receivables		396,454	402,947	13,089	35,977

* 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 (2019: 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 (2019: 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 (2019: 30 days).

17.4 Other Receivables, Deposits and Prepayments

Included in other receivables, deposits and prepayments are prepaid excise duties of RM172,054,000 (2019: RM130,933,000).

NOTES TO THE FINANCIAL STATEMENTS

18. Capital and Reserves

Share capital

	Group and Company			
	Number of shares	Amount	Number of shares	Amount
	2020 '000	2020 RM'000	2019 '000	2019 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	
		2020 RM'000	2019 RM'000	2020 RM'000	2019 RM'000
Trade payables	19.1	19,539	8,122	-	-
Trade accruals		60,013	42,261	-	-
Amounts due to subsidiaries	19.2	-	-	260,382	549,824
Amounts due to fellow subsidiaries*	19.3	56,028	51,848	3,148	19,326
Other payables and accruals		63,255	68,430	11,682	11,455
		198,835	170,661	275,212	580,605

NOTES TO THE FINANCIAL STATEMENTS

19. Trade and Other Payables (continued)

Other payables and accruals comprise the following:

	Group		Company	
	2020 RM'000	2019 RM'000	2020 RM'000	2019 RM'000
Accruals for employee expenses	15,438	19,504	3,734	6,333
Accruals for administrative expenses	26,884	40,786	7,023	3,796
Provision for restructuring expenses	17,569	7,268	739	454
Other non-operating creditors	3,364	872	186	872
	63,255	68,430	11,682	11,455

* 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 2019	-	-
Provisions made during the year	15,420	2,330
Provisions used during the year	(8,152)	(1,876)
At 31 December 2019/1 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	17,569	739

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 (2019: cash term to 120 days).

19.2 Amounts Due to Subsidiaries

The Company's amounts due to subsidiaries are unsecured and subject to 3 percent (2019: 3%) interest per annum with a credit term of 30 days (2019: 30 days). Net changes from financing cash flows amounting to RM289,442,000 (2019: RM2,019,000).

NOTES TO THE FINANCIAL STATEMENTS

19. Trade and Other Payables (continued)

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 (2019: 30 to 60 days). These amounts are unsecured and interest free.

20. Borrowings

	Group	
	2020 RM'000	2019 RM'000
Current		
Unsecured		
Revolving credit	334,000	271,000
Short-term loan	176,000	150,000
	510,000	421,000

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			
	2019 RM'000	Drawdown RM'000	Repayment RM'000	2020 RM'000
Group				
Borrowings	421,000	697,500	(608,500)	510,000

	Net changes from financing cash flows			
	2018 RM'000	Drawdown RM'000	Repayment RM'000	2019 RM'000
Group				
Borrowings	410,000	1,215,000	(1,204,000)	421,000

NOTES TO THE FINANCIAL STATEMENTS

21. Derivative Financial Instruments

	2020		2019	
	Assets RM'000	Liabilities RM'000	Assets RM'000	Liabilities RM'000
Group				
Forward foreign exchange contract				
- cash flow hedges	93	7,002	177	2,171

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 gain of RM682,000 (2019: RM214,000) 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 (2019: 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 loss of RM4,815,000 (2019: loss of RM2,480,000) in the other comprehensive income and a gain of RM1,795,000 (2019: RM750,000) 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			
2020			
Currency to be received over the next 12 months USD34,786,000 (net)	US Dollar	147,853	1 USD = RM4.2504
2019			
Currency to be received over the next 12 months USD38,736,000 (net)	US Dollar	161,390	1 USD = RM4.1664

NOTES TO THE FINANCIAL STATEMENTS

22. Lease Liabilities

	Group		Company	
	2020 RM'000	2019 RM'000	2020 RM'000	2019 RM'000
Current	6,307	4,357	3,465	2,579
Non-current	19,218	21,844	17,245	20,707
Total	25,525	26,201	20,710	23,286
At 1 January	26,201	30,439	23,286	26,772
Net changes from financing cash flows	(4,850)	(5,772)	(2,478)	(3,583)
Acquisition of new lease	5,284	1,534	1,012	97
Derecognition	(946)	-	(946)	-
Remeasurement of lease liability	(164)	-	(164)	-
At 31 December	25,525	26,201	20,710	23,286

23. Cash from Operations

	Group		Company	
	2020 RM'000	2019 RM'000	2020 RM'000	2019 RM'000
Profit before tax	329,285	462,254	287,168	307,797
Adjustment for:				
Interest income	(863)	(1,163)	(489)	(794)
Property, plant and equipment:				
- depreciation	7,519	7,501	2,607	2,730
- depreciation of right-of-use assets	6,269	6,732	3,724	4,165
- write-off	5	10	-	2
- loss on disposal	351	26	181	152
Gain on derecognition of lease contract	(166)	-	(166)	-
Computer software:				
- amortisation	3	-	3	-
- write-off	1,426	-	-	-

NOTES TO THE FINANCIAL STATEMENTS

23. Cash from Operations (continued)

	Group		Company	
	2020 RM'000	2019 RM'000	2020 RM'000	2019 RM'000
Assets held for sale:				
- gain on disposal	(386)	(1,031)	(386)	(1,031)
Net foreign exchange loss/(gain)	930	(1,050)	368	(471)
Net loss on impairment of financial assets at amortised cost	99	18	-	-
Inventories written down	11,341	11,478	-	-
Interest expense	17,172	15,963	7,141	16,270
Changes in working capital:				
- inventories	(143,032)	52,553	-	-
- trade and other receivables	7,357	(41,715)	22,688	337
- trade and other payables	26,381	(63,815)	(16,119)	6,584
	263,691	447,761	306,720	335,741

Cash outflows for leases as a lessee

	Group		Company	
	2020 RM'000	2019 RM'000	2020 RM'000	2019 RM'000
Included in cash from operations:				
Payment relating to short-term leases	861	1,880	198	937
Payment relating to leases of low-value assets	-	20	-	-
Included in net cash flow used in financing activities:				
Payment of lease liabilities	4,850	5,772	2,478	3,583
Interest paid in relation to lease liabilities	892	1,114	793	1,006
	6,603	8,786	3,469	5,526

NOTES TO THE FINANCIAL STATEMENTS

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 in 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 subjected to forfeit if a participant leaves employment before the end of the three years 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.

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.

NOTES TO THE FINANCIAL STATEMENTS

24. Share-based Payments (continued)

Share-based Payment Expense

The amounts recognised in the income statement in respect of share-based payments were as follows:

	Note	Equity-settled	
		2020 RM'000	2019 RM'000
Group			
LTIP	24.1	1,240	2,813
DSBS	24.2	1,682	2,925
Other schemes	24.3	38	37
Total recognised in the income statement		2,960	5,775

	Note	Equity-settled	
		2020 RM'000	2019 RM'000
Company			
LTIP	24.1	1,121	2,031
DSBS	24.2	959	1,661
Other schemes	24.3	38	37
Total recognised in the income statement		2,118	3,729

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 2020 and 31 December 2019, were as follows:

	Equity-settled Number of options in thousand	
	2020	2019
Group		
Outstanding at start of financial year	62	57
Granted during the period	9	32
Exercised during the period	(17)	(12)
Forfeited during the period	(24)	(15)
Outstanding at end of financial year	30	62
Exercisable at end of financial year	1	3

The weighted average British American Tobacco p.l.c. share price at the date of exercise for share options exercised during the period was £30.66 (2019: £29.76) for equity-settled options.

The outstanding shares for the year ended 31 December 2020 had a weighted average contractual life of 8.91 years (2019: 8.48 years) for the equity-settled scheme.

	Equity-settled Number of options in thousand	
	2020	2019
Company		
Outstanding at start of financial year	47	45
Granted during the period	8	23
Exercised during the period	(12)	(8)
Forfeited during the period	(17)	(13)
Outstanding at end of financial year	26	47
Exercisable at end of financial year	1	-

NOTES TO THE FINANCIAL STATEMENTS

24. Share-based Payments (continued)**24.1 Long-Term Incentive Plan (continued)**

The weighted average British American Tobacco p.l.c. share price at the date of exercise for share options exercised during the period was £30.29 (2019: £29.98) for equity-settled options.

The outstanding shares for the year ended 31 December 2020 had a weighted average contractual life of 8.15 years (2019: 8.48 years) for the equity-settled scheme.

24.2 Deferred Share Bonus Scheme

Details of the movements for the equity and cash-settled DSBS scheme during the years ended 31 December 2020 and 31 December 2019, were as follows:

	Equity-settled Number of options in thousand	
	2020	2019
Group		
Outstanding at start of financial year	37	30
Granted during the period	15	20
Exercised during the period	(20)	(12)
Forfeited during the period	-	(1)
Outstanding at end of financial year	32	37
Exercisable at end of financial year	-	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 £29.87 (2019: £28.19) for equity-settled options.

The outstanding shares for the year ended 31 December 2020 had a weighted average contractual life of 1.5 years (2019: 1.84 years) for the equity-settled scheme.

NOTES TO THE FINANCIAL STATEMENTS

24. Share-based Payments (continued)

24.2 Deferred Share Bonus Scheme (continued)

	Equity-settled Number of options in thousand	
	2020	2019
Company		
Outstanding at start of financial year	20	14
Granted during the period	9	12
Exercised during the period	(11)	(5)
Forfeited during the period	-	(1)
Outstanding at end of financial year	18	20
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 £30.06 (2019: £27.07) for equity-settled options.

The outstanding shares for the year ended 31 December 2020 had a weighted average contractual life of 1.51 years (2019: 1.57 years) for the equity-settled scheme.

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 794 (2019: 678).

Company

The number of outstanding shares at the end of the year for the International Share Reward Scheme were 654 (2019: 538).

NOTES TO THE FINANCIAL STATEMENTS

24. Share-based Payments (continued)

Valuation Assumptions

Assumptions used in the Black-Scholes models to determine the fair value of share options at grant date were as follows:

	2020		2019	
	LTIP	DSBS	LTIP	DSBS
Group and Company				
Expected volatility (%)	25.0	25.0	22.0	22.0
Average expected term to exercise (years)	3.5	3.0	3.5	3.0
Risk-free rate (%)	0.2	0.2	0.7	0.7
Expected dividend yield (%)	7.9	7.9	6.5	6.5
Share price at date of grant (£)	26.33	26.33	30.83	30.83
Fair value at grant date (£)	21.23	20.76	21.93	25.35

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:

	2020 %	2019 %
Group and Company		
Average share price volatility FMCG comparator group	21	18
Average correlation FMCG comparator group	31	28

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.

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.

NOTES TO THE FINANCIAL STATEMENTS

25. Segment Reporting

The Company is domiciled in Malaysia. The revenue from external customers in Malaysia is RM2,315,481,000 (2019: RM2,508,554,000). 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:

	2020 RM'000	2019 RM'000
- Customer A	733,425	740,329
- Customer B	594,254	571,305
- Customer C	444,398	462,751
- Customer D	294,733	311,796

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).

2020	Carrying amount RM'000	FAAC / FLAC RM'000	Derivative used for hedging RM'000
Financial assets			
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

NOTES TO THE FINANCIAL STATEMENTS

26. Financial Instruments (continued)

26.1 Categories of Financial Instruments (continued)

2020	Carrying amount RM'000	FAAC / FLAC RM'000	Derivative used for hedging RM'000
Financial assets			
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)

26.1 Categories of Financial Instruments (continued)

2019	Carrying amount RM'000	FAAC / FLAC RM'000	Derivative used for hedging RM'000
Financial assets			
Group			
Trade and other receivables (excluding prepayments)	270,011	270,011	-
Cash and bank balances	20,386	20,386	-
Derivative financial assets	177	-	177
	290,574	290,397	177
Company			
Trade and other receivables (excluding prepayments)	34,307	34,307	-
Cash and bank balances	12,286	12,286	-
	46,593	46,593	-
Financial liabilities			
Group			
Borrowings	421,000	421,000	-
Trade and other payables	170,661	170,661	-
Derivative financial liabilities	2,171	-	2,171
	593,832	591,661	2,171
Company			
Trade and other payables	580,605	580,605	-

NOTES TO THE FINANCIAL STATEMENTS

26. Financial Instruments (continued)

26.2 Net Gains and Losses Arising from Financial Instruments

	Group		Company	
	2020 RM'000	2019 RM'000	2020 RM'000	2019 RM'000
Net gains/(losses) on:				
Derivative used for hedging				
- recognised in income statements	682	214	-	-
- recognised in other comprehensive income	(4,815)	(2,480)	-	-
Financial assets measured at amortised cost	1,628	915	289	862
Financial liabilities measured at amortised cost	(18,074)	(13,569)	(6,516)	(14,861)
	(20,579)	(14,920)	(6,227)	(13,999)

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.

NOTES TO THE FINANCIAL STATEMENTS

26. Financial Instruments (continued)

26.4 Credit Risk (continued)

Trade Receivables (continued)

Risk Management Objective, Policies and Processes for Managing The Risk (continued)

Approximately 91 percent (2019: 78 percent) of the Group's trade receivables are derived from its sales to four (2019: 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.

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.

NOTES TO THE FINANCIAL STATEMENTS

26. Financial Instruments (continued)

26.4 Credit Risk (continued)

Trade Receivables (continued)

Recognition and Measurement of Impairment Loss (continued)

The following table provides information about the exposure to credit risk and expected credit losses for trade receivables as at 31 December 2019 and 31 December 2020.

Group	Gross RM'000	Loss allowance RM'000	Net RM'000
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
2019			
Current (not past due)	221,947	(111)	221,836
Past due 1 – 30 days	1,924	(2)	1,922
Past due 31 – 60 days	135	-	135
Past due 61 – 90 days	273	(1)	272
Past due more than 90 days	2,894	(3)	2,891
	227,173	(117)	227,056

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 2019	99
Net measurement of loss allowance	18
Balance at 31 December 2019/ 1 January 2020	117
Net measurement of loss allowance	99
Balance at 31 December 2020	216

Amounts Due from Fellow Subsidiaries

The ageing of amounts due from fellow subsidiaries as at the end of the financial year ended was:

	2020 RM'000	2019 RM'000
Group		
Not past due	9,846	29,864
Past due 0 – 90 days	-	175
	9,846	30,039
Company		
Not past due	4,402	315

Generally, the Group and Company consider amounts due from fellow subsidiaries as low credit risk. The Group and the Company determines the probability of default for these amounts due from fellow subsidiaries individually using internal information. For the financial year ended 31 December 2020, there was no evidence that the amounts due from fellow subsidiaries are not recoverable.

NOTES TO THE FINANCIAL STATEMENTS

26. Financial Instruments (continued)

26.4 Credit Risk (continued)

Cash and Bank Balances

The cash and bank balances are held with banks and financial institutions. For the financial year ended 31 December 2020, 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, all 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.

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 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.

	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
2020							
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 outflow	7,002	-	7,002	7,002	-	-	-
	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)

26.5 Liquidity and Cash Flow Risk (continued)

	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
2019							
Group							
Non-derivative financial liabilities							
Borrowings	421,000	3 – 4%	422,290	422,290	-	-	-
Lease liabilities	26,201	4%	29,331	5,280	4,170	13,121	6,760
Trade and other payables	170,661	-	170,661	170,661	-	-	-
	617,862		622,282	598,231	4,170	13,121	6,760
Derivative financial liabilities							
Derivative financial instruments outflow	2,171	-	2,171	2,171	-	-	-
	620,033		624,453	600,402	4,170	13,121	6,760
Company							
Non-derivative financial liabilities							
Lease liabilities	23,286	4%	26,236	3,437	3,897	12,371	6,531
Trade and other payables	580,605	-	580,605	580,605	-	-	-
	603,891		606,841	584,042	3,897	12,371	6,531

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:

	2020 Denominated in			2019 Denominated in		
	USD RM'000	GBP RM'000	EUR RM'000	USD RM'000	GBP RM'000	EUR RM'000
Group						
Trade receivables	-	2	-	-	(12)	-
Trade payables	(283)	(2,273)	(16)	(265)	(59)	260
Cash and bank balances	2,184	600	132	3,233	1,061	124
Amounts due from fellow subsidiaries	494	3,418	6	6,536	20,812	-
Amounts due to fellow subsidiaries	(8,694)	(25,575)	(35)	(10,804)	(14,777)	(68)
Net exposure in the balance sheet	(6,299)	(23,828)	87	(1,300)	7,025	316

NOTES TO THE FINANCIAL STATEMENTS

26. Financial Instruments (continued)

26.6 Market Risk (continued)

26.6.1 Currency Risk (continued)

Exposure to Foreign Currency Risk (continued)

	2020 Denominated in			2019 Denominated in		
	USD RM'000	GBP RM'000	EUR RM'000	USD RM'000	GBP RM'000	EUR RM'000
Company						
Trade payables	-	(288)	-	-	(68)	(23)
Cash and bank balances	22	141	-	1,398	652	-
Amounts due from fellow subsidiaries	386	3,418	-	-	-	-
Amounts due to fellow subsidiaries	-	(2,560)	-	-	(15,588)	-
Net exposure in the balance sheet	408	711	-	1,398	(15,004)	(23)

Currency Risk Sensitivity Analysis

A 10 percent (2019: 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	
	2020 RM'000	2019 RM'000	2020 RM'000	2019 RM'000
USD	630	130	(41)	(140)
GBP	2,383	(703)	(71)	1,500
EUR	(9)	(32)	-	2

A 10 percent (2019: 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.

NOTES TO THE FINANCIAL STATEMENTS

26. Financial Instruments (continued)

26.6 Market Risk (continued)

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	
	2020 RM'000	2019 RM'000	2020 RM'000	2019 RM'000
Fixed rate instruments				
Financial liabilities	25,525	26,201	20,710	23,286
Floating rate instruments				
Financial liabilities	510,000	421,000	-	-

Cash flow sensitivity analysis for variable rate instruments

A change of 100 basis point ("bp") in interest rates at the end of the reporting period would have increased/ (decreased) equity and pre-tax profit by the amounts shown below:

Group	2020 Profit or loss		2019 Profit or loss	
	100 bp increase RM'000	100 bp increase RM'000	100 bp increase RM'000	100 bp increase RM'000
Floating rate instruments	(5,100)	5,100	(4,210)	4,210

NOTES TO THE FINANCIAL STATEMENTS

26. Financial Instruments (continued)

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.

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 2020 and at 31 December 2019 were as follows:

	Group	
	2020 RM'000	2019 RM'000
Total borrowings (Note 20)	510,000	421,000
Less: Cash and bank balances	(29,002)	(20,386)
	480,998	400,614
Total equity	372,639	388,581
Debt-to-equity ratio	1.3	1.0

There was no change in the Group's approach to capital management during the financial year.

NOTES TO THE FINANCIAL STATEMENTS

28. Capital Commitments

	Group		Company	
	2020 RM'000	2019 RM'000	2020 RM'000	2019 RM'000
Property, plant and equipment				
Contracted but not provided for	2	15	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.

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	
	2020 RM'000	2019 RM'000
(i) Purchase of goods		
Purchase of leaf, cigarette packaging and wrapping materials and tobacco products from:		
- PT Bentoel Prima	164,334	-
- PT Bentoel Internasional Investama, Tbk.	-	157,546

NOTES TO THE FINANCIAL STATEMENTS

29. Related Parties (continued)

Significant Related Party Transactions (continued)

	Group	
	2020 RM'000	2019 RM'000
(ii) Procurement of services		
Procurement of information technology services from:		
- British American Shared Services (GSD) Limited	12,483	17,946
(iii) Technical and advisory (includes share-based payment charges)		
Payment for technical and advisory support services to:		
- British American Tobacco Investments Ltd.	17,081	18,343
- BAT Aspac Service Centre Sdn. Bhd.	8,196	18,317
	25,277	36,660
(iv) Royalties		
Royalties paid/payable to:		
- British American Tobacco Western Europe Commercial Trading Limited	60,173	-
- British American Tobacco (Holdings) Ltd.	15,626	85,116
	Company	
	2020 RM'000	2019 RM'000
(i) Management fee		
Management fee received from:		
- Commercial Marketers and Distributors Sdn. Bhd.	4,147	6,442
- Tobacco Importers and Manufacturers Sdn. Berhad	158	365
	4,305	6,807
(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.	2,460	2,423
- Tobacco Importers and Manufacturers Sdn. Berhad	87	162
	2,547	2,585

NOTES TO THE FINANCIAL STATEMENTS

29. Related Parties (continued)

Significant Related Party Transactions (continued)

	Company	
	2020 RM'000	2019 RM'000
(iii) Technical and advisory		
Provision of technical and advisory fees received from:		
- British American Tobacco Sales & Marketing (Singapore) Pte. Ltd.	1,500	1,499
(iv) Technical and advisory		
Payment of fees for technical and advisory support services to:		
- BAT Aspac Service Centre Sdn. Bhd.	4,734	12,744
(v) Interest expense		
Interest expense on cash pooling:		
- Commercial Marketers and Distributors Sdn. Bhd.	4,192	6,679
- Tobacco Importers and Manufacturers Sdn. Berhad	1,891	8,511
	6,083	15,190

NOTES TO THE FINANCIAL STATEMENTS

30. Restructuring Expenses

During the fourth quarter of 2019, the Group had undertaken measures in restructuring the organisation to be more efficient, agile and focused to enable the Group to operate in challenging business environment. This restructuring resulted in reduction of workforce and reconstructed a new base for sustainable cost structure. This internal reorganisation exercise that started in fourth quarter of 2019 and had concluded in 2020.

The financial impact arising from the abovementioned restructuring of business operations is set out below:

	Group		Company	
	2020 RM'000	2019 RM'000	2020 RM'000	2019 RM'000
Restructuring expenses	18,825	15,420	4,740	2,330

31. Covid-19 Disclosure

The coronavirus (Covid-19) pandemic was announced by the World Health Organisation in March 2020 given the outbreak of the virus in countries across the world including Malaysia.

In developing the disclosures, the Group and the Company have performed an assessment of the overall impact of the situation on the Group's and the Company's operations, including the recoverability of the carrying amounts of assets and liabilities and concluded that there is no material adverse effects on the financial statements for the financial year ended 31 December 2020.

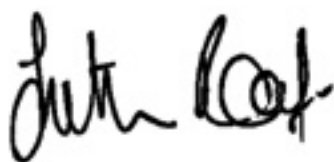
STATEMENT

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 125 to 203 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 2020 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:



Jonathan Darlow Reed
Managing Director



Ignacio Ballester
Finance Director

Kuala Lumpur

Date: 10 February 2021

STATUTORY DECLARATION

pursuant to Section 251(1)(b) of the Companies Act 2016

I, Ignacio Ballester, 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 125 to 203 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 Ignacio Ballester, passport: YB2197558, at Kuala Lumpur in the State of Federal Territory on 10 February 2021.



Ignacio Ballester
Finance Director

Before me:



LEVEL 28, MENARA HONG LEONG,
NO 8, JALAN DAMPALESA, BUKIT DAMANSARA,
50480 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 2020 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 125 to 203.

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 2020, 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 2020 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.

INDEPENDENT AUDITORS' REPORT

TO THE MEMBERS OF BRITISH AMERICAN TOBACCO (MALAYSIA) BERHAD (Registration No. 196101000326 (4372-M)) (Incorporated in Malaysia)

Key Audit Matters (continued)

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.

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 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 annual report 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 annual report and, in doing so, consider whether the annual report 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 annual report, we are required to report that fact. We have nothing to report in this regard.

INDEPENDENT AUDITORS' REPORT

TO THE MEMBERS OF BRITISH AMERICAN TOBACCO (MALAYSIA) BERHAD
(Registration No. 196101000326 (4372-M)) (Incorporated in Malaysia)

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.

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.

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)

- 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.

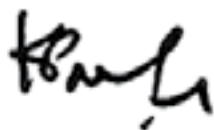
From the matters communicated with the Directors, we determine those matters that were of most significance in the audit of the financial statements of the Group and of the Company for the current year and are therefore the key audit matters. We describe these matters in our auditors' report unless law 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



Adrian Lee Lye Wang
Approval Number: 02679/11/2021 J
Chartered Accountant

Petaling Jaya

Date: 10 February 2021

GRI Standards Guideline 2020

GRI

STANDARDS GUIDELINE 2020

FINANCE

GRI Code	Disclosure Title	Responses/Results for 2020
Economic Performance		
201	Management Approach Disclosures: Economic Performance	The basis upon which the financials of BAT Malaysia were derived are contained in the audited financial statements as contained in this Annual Report.
201-1	Direct Economic Value Generated and Distributed	<p>Direct Economic Value generated (revenues): RM 2,315 million</p> <p>Economic Value Distributed:</p> <ul style="list-style-type: none"> - Operating Costs: RM 447 million - Employee Wages and Benefits: RM 75 million - Payment to Providers of Capital: RM 254 million - Payment to Government (Taxes): RM 1,532 million - Community Investment: RM 2 million - Economic Value retained: -RM 12 million
201-4	Financial Assistance Received from the Government	BAT Malaysia did not receive any financial assistance from the government in 2020.
Indirect Economic Impacts		
203	Management Approach Disclosures: Indirect Economic Impacts	Not Applicable.
203-1	Infrastructure Investments and Services Supported	Not Applicable.
Public Policy		
415	Management Approach Disclosures: Public Policy	BAT Malaysia has a policy on public contributions in our Standards of Business Conduct ("SoBC").
415-1	Political Contributions	<p>There were no political contributions made by BAT Malaysia in 2020.</p> <p>The Political Contributions section of the SoBC set out the policy on political donations. Contributions from BAT Malaysia to political parties and organisations, their officers, elected politicians and candidates for elective office are actively discouraged, and may only be made subject to specific controls. Contributions are not permitted to be made in order to achieve any improper business or other advantage or to influence any decision by a public official to the advantage of BAT Malaysia.</p> <p>In addition, they must not be intended personally to benefit the recipient or his or her family, friends, associates or acquaintances and must be permissible under all applicable laws.</p>

GRI STANDARDS GUIDELINE 2020

MARKETING

GRI Code	Disclosure Title	Responses/Results for 2020
Indirect Economic Impacts		
203-2	Significant Indirect Economic Impacts	<p>Listed below are some significant indirect economic impacts to BAT Malaysia in 2020:</p> <ul style="list-style-type: none"> - The COVID-19 pandemic had a significant impact on the economic landscape, with Malaysia's overall Gross Domestic Performance experiencing its biggest contraction in recent years. Similarly, consumer affordability is further stretched as unemployment rate also increased in line with the economic impact and ongoing partial lockdowns. - The Value-For-Money segment saw significant growth in 2020 with multiple new brands successfully launched to address affordability issues within the legal landscape. - Despite the shutdown of key economic sectors which disrupted distribution and supply chains, illegal categories were marginally impacted, and remains sizeable with the continued presence of illegal vapour.
Customer Health and Safety		
416	Management Approach Disclosures: Customer Health and Safety	BAT Malaysia has rigorous processes in place to ensure that our products are fit for sale and are in Compliance with the Control of Tobacco Product Regulations ("CTPR") 2004.
416-1	Assessment of the Health and Safety Impacts of Product and Service Categories	<p>It is imperative that we follow a robust approach to product assessment to ensure that there is no further increase to the health risks because we acknowledge that consumption of tobacco carries with its real risks of diseases to health.</p> <p>100 percent of our tobacco products are assessed to ensure compliance to the emission standard for cigarette as provided under the CTPR.</p>
416-2	Incidents of Non-Compliance Concerning the Health and Safety Impacts of Products and Services	BAT Malaysia's products were in full Compliance with the CTPR.
Marketing and Labelling		
417	Management Approach Disclosures: Marketing and Labelling	BAT Malaysia has a policy in place for marketing and labelling as provided by the CTPR and International Marketing Principles ("IMP").

GRI STANDARDS GUIDELINE 2020

MARKETING (continued)

GRI Code	Disclosure Title	Responses/Results for 2020
417-1	Requirements for Product and Service Information and Labelling	<p>100 percent of our cigarette packs and cartons are printed with Pictorial Health Warnings (“PHWs”) as required under the CTPR.</p> <p>Furthermore, the CTPR also requires the PHWs to be printed as far as possible on an equal number of packaging for each brand and variant of cigarette.</p> <p>BAT Malaysia is committed to 100 percent compliance with these regulations under the CTPR, in addition to adherence to our IMP.</p> <p>For more information on our IMP, please see www.bat.com/imp</p>
417-2	Incidents of Non-Compliance Concerning Product and Service Information and Labelling	In 2020, BAT Malaysia was in full compliance with the CTPR.
417-3	Incidents of Non-Compliance Concerning Marketing Communications	There were no incidents of non-compliance with regulations concerning marketing communications.

PROCUREMENT

GRI Code	Disclosure Title	Responses/Results for 2020
Procurement Practices		
204	Management Approach Disclosures: Procurement Practices	Procurement is governed by the local Indirects Procurement Policy and Procedure, which is aligned to the global Indirect Procurement policy. The policy sets forth on third party and spend management as well as outlines how sourcing exercises are conducted with full transparency and approval. These processes are fully embedded within the organisation.
204-1	Proportion of Spending on Local Suppliers	Global Indirects Procurement Category Managers source for high and common spend with global suppliers who have local footprints and are locally incorporated into the end markets. Hence, 95 percent of spend goes to Local Suppliers. There are no Directs category purchases (our suppliers are mostly from overseas) as BAT Malaysia imports the finished goods from Indonesia and other markets.

GRI STANDARDS GUIDELINE 2020

PROCUREMENT (continued)

GRI Code	Disclosure Title	Responses/Results for 2020
Supplier Environmental Assessment		
308	Management Approach Disclosures: Supplier Environmental Assessment	100 percent of our new suppliers are guided on environmental criteria according to British American Tobacco's Environmental, Health and Safety ("EHS") Best Practice and Policy as indicated in the Request for Proposal.
308-1	New Suppliers that were Screened Using Environmental Criteria	The procurement sourcing process includes the due diligence of assessing EHS risks based on type of supplier, prioritising suppliers exposed to the highest risk, and monitoring and reviewing high-risk suppliers through self-assessment questionnaires, including environmental criteria or on-site audits. All of these actions are done in collaboration with the EHS Manager, stakeholders and suppliers.
308-2	Negative Environmental Impacts in the Supply Chain and Actions Taken	There was no environmental impact in the supply chain nor any record of grievances on environmental impacts field against BAT Malaysia in 2020.
Freedom of Association and Collective Bargaining		
407	Management Approach Disclosures: Freedom of Association and Collective Bargaining	BAT Malaysia have been practising freedom of Association and Collective Bargaining, however this is no longer applicable after the factory closure when there is no more association.
407-1	Operations and Suppliers in which the Right to Freedom of Association and Collective Bargaining May be at Risk	There were no risks in exercising freedom of association or collective bargaining in BAT Malaysia in 2020 especially after the factory closure.
Child Labour		
408	Management Approach Disclosures: Child Labour	BAT Malaysia places high importance on our Standards of Business Conduct ("SoBC") which outlines high governance of business conduct by BAT Malaysia which includes prohibition on child labour.
408-1	Operations and Suppliers at Significant Risk for Incidents of Child Labour	The "Know Your Supplier" requirement under the procurement sourcing process mandates suppliers to undertake their agreement to adhere to BAT Malaysia's SoBC, which include restrictions on child labour.
Forced or Compulsory Labour		
409	Management Approach Disclosures: Forced or Compulsory Labour	BAT Malaysia places high importance on our SoBC which outlines high governance of business conduct by BAT Malaysia which include prohibition on exploitation of labour and modern slavery.
409-1	Operations and Suppliers at Significant Risk for Incidents of Forced or Compulsory Labour	The "Know Your Supplier" requirement under the procurement sourcing process mandates suppliers to undertake their agreement to adhere to BAT Malaysia's SoBC, which include restrictions on exploitation of labour and modern slavery.

GRI STANDARDS GUIDELINE 2020

PROCUREMENT (continued)

GRI Code	Disclosure Title	Responses/Results for 2020
Human Rights Assessment		
412-3	Significant Investment Agreements and Contracts that Include Human Rights Clauses or that Underwent Human Rights Screening	BAT Malaysia's significant investments were with its suppliers. Our philosophy on supplier partnership was not just about procurement but also about how we could increase value in the supply chain. BAT Malaysia was committed to promoting human rights in the sphere of influence, including our supply chain. As such, all our suppliers were expected to meet the requirements of our Supplier Code of Conduct and this was incorporated into our contractual arrangements with suppliers.
Local Communities		
413	Management Approach Disclosures: Local Communities	BAT Malaysia had been practising due diligence and care with local communities.
413-1	Operations with Local Community Engagement, Impact Assessments, and Development Programmes	No environmental impact assessment has been performed amongst our suppliers in 2020.
413-2	Operations with Significant Actual and Potential Negative Impacts on Local Communities	There were no significant impacts on local communities recorded in our suppliers in 2020.
Supplier Social Assessment		
414	Management Approach Disclosures: Supplier Social Assessment	Supplier social assessment was an important aspect by procurement in its vendor management.
414-1	New Suppliers that were Screened using Social Criteria	As part of the sourcing exercise, a due diligence process was carried out, which includes assessing risks based on the type of supplier, prioritising suppliers exposed to the highest risk, and monitoring and reviewing high-risk suppliers through self-assessment questionnaires, including social criteria. Our suppliers were required to sign the Supplier Code of Conduct, which includes adhering to our policy of social practices.
414-2	Negative Social Impacts in the Supply Chain and Actions Taken	There were no Social Impacts in the Supply Chain in 2020 and no Actions required.

GRI STANDARDS GUIDELINE 2020

PROCUREMENT (continued)

GRI Code	Disclosure Title	Responses/Results for 2020
Organisation Profile		
102-9	Supply Chain	<p>Raw materials to Tobacco Importers and Manufacturers' Johor Bahru plant.</p> <p>All raw material suppliers are sourced and managed globally and adheres to BAT Malaysia Suppliers Designated code of conduct.</p> <p>Due to the small scale of operations in Johor Bahru Plant raw materials are purchased via BAT Singapore on a kitset model.</p> <p>Financially more viable due to low volumes and minimised risk exposure.</p> <p>By applying the kitset model, not only does it benefit the Group in terms of cost with higher Minimum Order Quantity, it also directly reduces the carbon footprint by having only 1 source/lane for imported materials.</p>
102-10	Significant Changes to the Organisation and its Supply Chain	There have been no significant changes to Operations for BAT Malaysia in the year 2020 other than delisting/withdrawal of Tobacco Heating Product devices in the second half of 2020.

REGULATORY AFFAIRS

GRI Code	Disclosure Title	Responses/Results for 2020
General Disclosure		
102-1	Name of the Organisation	British American Tobacco (Malaysia) Berhad
102-2	Activities, Brands, Products and Services	Refer to Corporate Profile on page 11 and Corporate Structure on page 14.
102-3	Location of Headquarters	British American Tobacco (Malaysia) Berhad Level 19, Guoco Tower, Damansara City No. 6 Jalan Damanlela, Bukit Damansara 50490 Kuala Lumpur
102-4	Location of Operations	British American Tobacco (Malaysia) Berhad only operates in Malaysia.
102-5	Ownership and Legal Form	Refer to Notes to The Financial Statements on pages 135 to 203.
102-6	Markets Served	Refer to Management Discussion and Analysis on page 18.
102-7	Scale of Organisation	<p>Total number of employees in 2020: 397</p> <p>Refer to Corporate Profile on page 11 and Corporate Structure on page 14.</p>

GRI STANDARDS GUIDELINE 2020

REGULATORY AFFAIRS (continued)

GRI Code	Disclosure Title	Responses/Results for 2020
102-8	Information on Employees and Other Workers	Refer to Accelerating Tomorrow's Leaders chapter on pages 56 to 73 and GRI Specific Standard Disclosures 401.
102-12	External Initiative	Refer to Sustainability chapter on pages 44 to 55.
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 Message to Shareholders on page 15 and Management Discussion and Analysis on pages 18 to 29.
102-15	Key Impacts, Risks and Opportunities	Refer to Management Discussion and Analysis on pages 18 to 29.
Ethics and Integrity		
102-16	Values, Principles, Standards, and Norms of Behaviour	Refer to Corporate Governance Overview on pages 75 to 92 and Standards of Business Conduct Statement on pages 93 to 96.
102-17	Mechanisms for Advice and Concerns About Ethics	Refer to Corporate Governance Overview on pages 75 to 92 and Standards of Business Conduct Statement on pages 93 to 96.
Stakeholder Engagement		
102-40	List of Stakeholder Groups	Refer to Stakeholders on pages 46 to 47.
102-41	Collective Bargaining Agreements	There are currently no employees covered by collective bargaining agreements in BAT Malaysia.
102-42	Identifying and Selecting Stakeholders	Refer to Stakeholders on pages 46 to 47.
102-43	Approach to Stakeholder Engagement	Refer to Stakeholders on pages 46 to 47.
102-44	Key Topics and Concerns Raised	Refer to Stakeholders on pages 46 to 47.
Reporting Practice		
102-45	Entities Included in the Consolidated Financial Statements	Refer to Notes to The Financial Statements on pages 135 to 203.
102-46	Defining Report Content and Topic Boundaries	Refer to Aspects & Boundaries and Materiality on page 48.

GRI STANDARDS GUIDELINE 2020

REGULATORY AFFAIRS (continued)

GRI Code	Disclosure Title	Responses/Results for 2020
102-47	List of Material Topics	Refer to Aspects & Boundaries and Materiality on page 48.
102-48	Restatements of Information	There is no restatement of information from previous report.
102-49	Changes in Reporting	Not Applicable.
102-50	Reporting Period	Unless otherwise stated, all data covers the calendar year 1 January to 31 December 2020.
102-51	Date of Most Recent Report	Our latest annual report was published on 23 March 2020 for the period covering 1 January 2019 to 31 December 2019.
102-52	Reporting Cycle	British American Tobacco (Malaysia) Berhad has an annual reporting cycle.
102-53	Contact Point for Questions Regarding the Report	Refer to Corporate Information on page 16.
102-54	Claims of Reporting in Accordance with the GRI Standards	Refer to Global Reporting Initiative (GRI) Standards 2020 on pages 210 to 240.
102-55	GRI Content Index	Refer to Global Reporting Initiative (GRI) Standards 2020 on pages 210 to 240.
102-56	External Assurance	Not Applicable.

CORPORATE SECRETARIAL

GRI Code	Disclosure Title	Responses/Results for 2020
102-18	Governance Structure	Refer to Corporate Governance Overview on page 76.
102-19	Delegating Authority	Refer to Corporate Governance Overview on pages 78 to 79.
102-20	Executive-Level Responsibility for Economic, Environmental, and Social Topics	Refer to Corporate Governance Overview on page 82.
102-21	Consulting Stakeholders on Economic, Environmental and Social Topics	Refer to Stakeholder Statement on pages 46 to 47.
102-22	Composition of the Highest Governance Body and Its Committee	Refer to Corporate Governance Overview on pages 77 and 81.

GRI STANDARDS GUIDELINE 2020

CORPORATE SECRETARIAL (continued)

GRI Code	Disclosure Title	Responses/Results for 2020
102-23	Chair of the Highest Governance Body	Refer to Corporate Governance Overview on pages 79 to 80.
102-24	Nominating and Selecting the Highest Governance Body	Refer to Nomination Remuneration Committee Report on pages 98 to 101.
102-25	Conflicts of Interest	Refer to the Standards of Business Conduct Statement on pages 93 to 96.
102-26	Role of Highest Governance Body in Setting Purpose, Values and Strategy	Refer to Corporate Governance Overview on pages 78 to 79.
102-27	Collective Knowledge of Highest Governance Body	Refer to Corporate Governance Overview on page 77.
102-28	Evaluating the Highest Governance Body's Performance	Refer to Nomination Remuneration Committee Report on pages 98 to 101.
102-29	Identifying and Managing Economic, Environmental, and Social Impacts	Refer to Sustainability chapter on pages 45 to 55.
102-30	Effectiveness of Risk Management Processes	Refer to Risk Management Committee Report and Statement of Risk Management and Internal Control on page 106 and pages 107 to 116.
102-31	Review of Economic, Environmental, and Social Topics	Refer to Sustainability chapter on pages 45 to 55.
102-32	Highest Governance Body's Role in Sustainability Reporting	Refer to Corporate Governance Overview on page 76.
102-33	Communicating Critical Concerns	Refer to Risk Management Committee Report and Statement of Risk Management and Internal Control on page 106 and pages 107 to 116.
102-34	Nature and Total Number of Critical Concerns	Not Applicable.
102-35	Remuneration Policies	Refer to Nomination and Remuneration Committee Report on pages 98 to 101.
102-36	Process for Determining Remuneration	Refer to Nomination and Remuneration Committee Report on pages 98 to 101.
102-37	Stakeholders' Involvement in Remuneration	Refer to Nomination and Remuneration Committee Report on pages 98 to 101.
102-38	Annual Total Compensation Ratio	Not Applicable.
102-39	Percentage Increase in Annual Total Compensation Ratio	Not Applicable.

GRI STANDARDS GUIDELINE 2020

EHS

GRI Code	Disclosure Title	Responses/Results for 2020
Economic Performance		
201-2	Financial Implications and Other Risks and Opportunities due to Climate Change	<p>BAT Malaysia continuously works to address both our immediate environmental impacts and the likely environmental pressures on the business in the future by adopting a multi-pronged approach which encompasses changing employees' behaviour, investing in new technology and improving product designs that aim to lessen our environmental impacts.</p> <p>For further information on our environment-related activities, please refer to our ENVIRONMENT section of the Sustainability chapter on page 51.</p>
Materials		
301	Management Approach Disclosures: Materials	BAT Malaysia follows the global standard of an Integrated Work System ("IWS") to control direct and indirect material sourcing to control wastages and privilege for production with proper planning.
301-1	Materials Used by Weight or Volume	<p>Total Materials: 110.165 tonnes.</p> <p>Non-renewable materials: 0 tonnes. (Parts, fuels, cleaning materials, chemicals and processing aids)</p> <p>Direct materials: 110.165 tonnes. (Leaf, wrapping, packaging, filter and flavouring)</p> <p>Normalised: 1.1462 tonnes/million cigarette equivalent.</p> <p>This is the First Year monitoring to set usage of Material Use. Similar trend to 2019 observed, however there was a very high record of waste generated in month of May and June during our ramp up after a long shutdown due to Movement Control Order ("MCO").</p>
301-2	Recycled Input Materials Used	<p>Factory Operations:</p> <p>There are currently no recycled materials used in BAT Malaysia's Johor Bahru Plant.</p>
301-3	Reclaimed Products and their Packaging Materials	Information not reported due to a lack of data systems needed to generate the required information. The development of the required data systems will be evaluated.

GRI STANDARDS GUIDELINE 2020

EHS (continued)

GRI Code	Disclosure Title	Responses/Results for 2020
Energy		
302	Management Approach Disclosures: Energy	Energy Performance Data (KWH; tonnes; '000m ³ ;m ³) that has been received from a supplier/vendor: utility/municipality (including energy provider: electrical power; diesel; natural gas; wood fuel); direct readings from energy and water meters; utility bills; water consignment notes and/or invoices for waste management and service providers; litres of fuel consumed, e.g. Fuel Cards (TMD & Freight/Logistics Partners). Reflecting waste in tonnes; litres of fuel consumed, e.g. Fuel Cards (TMD & Freight/Logistics Partners) SAP data of leaf and direct materials for production; passenger, kilometres (business travel).
302-1	Energy Consumption Within the Organisation	<p>Commercial: Total: 20,550 Gigajoules.</p> <p>Non-renewable: 20,360.55 Gigajoules. (Purchased electricity energy, diesel oil, natural gas and liquefied petroleum gas)</p> <p>Renewable: 189.45 Gigajoules.</p> <p>Normalised: 5.87 Gigajoules/million cigarette equivalent.</p> <p>Achieved reduction of total energy consumption of -20 percent vs last year. This great achievement was garnered through reduced activities during the COVID-19 pandemic situation as employees worked from home most of the time resulting in reduced fleet fuel consumption during the various Movement Control Order ("MCO") periods.</p> <p>Factory Operations Total: 785 Gigajoules.</p> <p>Non-renewable: 785 Gigajoules. (Purchased electricity energy, diesel oil, natural gas and liquefied petroleum gas)</p> <p>Renewable: 0 Gigajoules.</p> <p>Normalised: 8.1677 Gigajoules/million cigarette equivalent.</p> <p>Achieved reduction of total energy consumption of 2.7 percent vs last year. We managed to achieve this result mainly due to factory operations shut down during MCO 1 period and initiatives of production schedules to reduce energy consumption of Air Handling Units ("AHU") and machines drawing power for ramp up.</p>

GRI STANDARDS GUIDELINE 2020

EHS (continued)

GRI Code	Disclosure Title	Responses/Results for 2020
302-2	Energy Consumption Outside of the Organisation	<p>Commercial: Total: 3,238 Gigajoules.</p> <p>Non-renewable: 3,238 Gigajoules. (Business Travel - Air Flight, Finished Goods transportation – Sea, Road & Air Freight)</p> <p>Normalised: 1.08 Gigajoules/million cigarette equivalent.</p> <p>A decrease of indirect energy consumption of -58 percent vs last year was recorded in 2019. This was primarily due to reduction of business travel due to pandemic travel restrictions.</p> <p>Factory Operations: Total: 34 Gigajoules.</p> <p>Non-renewable: 34 Gigajoules. (Business Travel - Air Flight, Finished Goods transportation – Sea, Road & Air Freight)</p> <p>Normalised: 0.353 Gigajoules/million cigarette equivalent.</p> <p>A decrease of indirect energy consumption of 48.8 percent vs last year was recorded in 2020. This was primarily contributed from the initiatives of types of truck size and trip review exercise.</p>
302-3	Energy Intensity	<p>Commercial: The intensity calculation is based on total energy used in BAT Malaysia's supply chain operations and marketing functions being the two biggest functions of the business divided by the total sales of volume sold.</p> <p>Total energy used was inclusive of direct and indirect energy.</p>
302-4	Reduction of Energy Consumption	<p>BAT Malaysia's initiatives:</p> <p>BAT Malaysia's head office had been certified by Leadership in Energy and Environmental Design (LEED) for interior design and construction to achieve reduction initiatives of energy consumption for electricity and air conditioning energy usage. Furthermore, BAT Malaysia targets to achieve 20 percent renewable energy (via installation of Solar Power systems) by 2025 as part of our Sustainability agenda.</p>
302-5	Reductions in Energy Requirements of Products and Services	<p>This is the First Year BAT Malaysia is monitoring the performance of the factory, and we achieved 9.38 percent reduction from 2019 in electricity usage, which was largely contributed to MCO shutting down of the factory and initiatives of review production schedules which required lesser usage of AHU units and machines drawing power for ramp up.</p>

GRI STANDARDS GUIDELINE 2020

EHS (continued)

GRI Code	Disclosure Title	Responses/Results for 2020
Water and Effluents		
303	Management Approach Disclosures: Water and Effluents	<p>Our KPI regarding water focuses on reducing the volume we extract from the natural environment - that includes municipal supplies, groundwater resources (wells) and surface water resources.</p> <p>Therefore our focus shall remain in:</p> <ol style="list-style-type: none"> 1. Reducing water we use in our process: becoming more water efficient; 2. Reducing water wastage: identifying and fixing leaks; 3. Increase the volume of water we re-use through water recycling schemes - collection/reuse of collected rainwater/stormwater.
303-1	Interactions with Water as a Shared Resource	BAT Malaysia's facilities team sourced water from respective State Government authorised water suppliers. BAT Malaysia did not reuse any recycled water in 2020.
303-2	Management of Water Discharge-Related Impacts	<p>Water source significantly affected withdrawal of water:</p> <p>BAT Malaysia's facilities team sourced water from respective State Government authorised water suppliers. The water withdrawal did not affect any of the six sites designated under the Ramsar List of Wetlands of International Importance* in Malaysia.</p> <p>* These wetlands are included under the Ramsar Convention, which is an international treaty for the Conservation and Sustainable Utilisation of Wetlands.</p>
303-3	Water Withdrawal	<p>Commercial:</p> <p>Total: 1,161 cubic metres.</p> <p>Normalised: 0.33 cubic metres/million cigarette equivalent.</p> <p>BAT Malaysia recorded a -9 percent decrease in water usage for 2020 due to water saving initiatives for commercial site office and warehouse.</p> <p>Factory Operations:</p> <p>Total: 410 cubic metres was used by the JB Plant in the year 2020.</p>
303-4	Water Discharge	BAT Malaysia facilities sourced water discharge through public water walkway provided by the government.
303-5	Water Consumption	<p>Commercial:</p> <p>Total: 1,161 cubic metres.</p> <p>Normalised: 0,33 cubic metres/million cigarette equivalent.</p> <p>BAT Malaysia recorded a -9 percent decrease in water usage for 2020 due to water saving initiatives for commercial site office and warehouse.</p> <p>Factory Operations:</p> <p>Total: 410 cubic metres was used by the JB Plant in the year 2020.</p>

GRI STANDARDS GUIDELINE 2020

EHS (continued)

GRI Code	Disclosure Title	Responses/Results for 2020
Biodiversity		
304	Management Approach Disclosures: Biodiversity	BAT Malaysia does not operate near protected areas or areas of high biodiversity value outside of protected areas.
304-1	Operational Sites Owned, Leased, Managed in, or Adjacent to, Protected Areas and Areas of High Biodiversity Value Outside Protected Areas	Information not reported as BAT Malaysia does not operate near protected areas or areas of high biodiversity value outside protected areas.
304-2	Significant Impacts of Activities, Products and Services on Biodiversity	Information not reported as BAT Malaysia does not operate near protected areas or areas of high biodiversity value outside protected areas.
304-3	Habitats Protected or Restored	There is no leaf plantation activity in Malaysia and BAT Malaysia does not operate near protected areas or areas of high biodiversity value outside protected areas.
304-4	IUCN Red List Species and National Conservation List Species with Habitats in Areas Affected by Operations	Information not reported as BAT Malaysia does not operate near protected areas or areas of high biodiversity value outside protected areas.
Emissions		
305	Management Approach Disclosures: Emissions	BAT Malaysia set an absolute target of reduction in the emissions from our key manufacturing sites. We identify initiatives and projects in those locations that will deliver these sustainable reductions in emissions; constantly review the business cases for investment in these initiatives against our emissions reduction targets. BAT Malaysia also focuses on transport & warehouse energy efficiency projects (e.g. network optimisation, improved aerodynamics, hybrid/electrical vans) driving innovation with our strategic Logistics partners.
305-1	Direct (Scope 1) GHG Emissions	Commercial: Direct green-house gas emissions (CO ₂) from Scope 1 used by BAT Malaysia (Commercial - Fleet): 1,225 tCO ₂ e/litre. Factory Operations : Not applicable.
305-2	Energy Indirect (Scope 2) GHG Emissions	Commercial: Direct green-house gas emissions (CO ₂) from Scope 2 used by BAT Malaysia (Electricity): 573 tCO ₂ e/kwh. Factory Operations: Direct green-house gas emissions (CO ₂) from Scope 2 used by BAT Malaysia (Electricity): 144 tCO ₂ e/kwh.

GRI STANDARDS GUIDELINE 2020

EHS (continued)

GRI Code	Disclosure Title	Responses/Results for 2020
305-3	Other Indirect (Scope 3) GHG Emissions	Commercial: Direct green-house gas emissions (CO ₂) from Scope 3 used by BAT Malaysia (Waste): 225 tCO ₂ e. Factory Operations: Direct green-house gas emissions (CO ₂) from Scope 3 used by BAT Malaysia (Waste): 142 tCO ₂ e.
305-4	GHG Emissions Intensity	Factory Operations: Direct green-house gas emissions intensity: 8.168 GJ/Total Production Volume.
305-5	Reduction of GHG Emissions	This is the First Year monitoring for BAT Malaysia's JB Plant and we aim to have at least 2 percent reduction in 2021.
305-6	Emissions of Ozone-Depleting Substances (ODS)	BAT Malaysia air conditioning equipment is chlorofluorocarbon (CFC) free.
305-7	Nitrogen Oxides (Nox), Sulfur Dioxides (Sox), and other Significant Air Emissions	BAT Malaysia has no significant air emission incident reported to date.
Effluents and Waste		
306	Management Approach Disclosures: Effluents and Waste	BAT Malaysia's approach to waste management is aligned with the Waste Management Hierarchy: Reduce (the waste generated); Reuse (materials, where practical) and Recycle. Non recycle waste management options employed by BAT Malaysia include other Disposal (incineration with/without energy recovery).
306-1	Water Discharge by Quality and Destination	BAT Malaysia site office and warehouse facilities discharged water through public waterways.
306-2	Waste by Type and Disposal Method	Commercial: Hazardous Waste - 0 tonnes. Non-Hazardous Waste - 3.01 tonnes. The hazardous waste is recorded zero and non-hazardous waste was reduced by -13 percent as it is only confined to office waste and point of sales material waste. Factory Operations: Hazardous Waste - 0.08 tonnes. Non-Hazardous Waste - 20.52 tonnes.

GRI STANDARDS GUIDELINE 2020

EHS (continued)

GRI Code	Disclosure Title	Responses/Results for 2020
306-3	Significant Spills	BAT Malaysia did not record any significant spills in 2020.
306-4	Transport of Hazardous Waste	Total: 0.08 tonnes. All hazardous wastes were handled by our Waste Management Vendor: Zaquin Resources Sdn. Bhd. to be disposed according to the scheduled waste guidelines and at approved Government site.
306-5	Water Bodies Affected by Water Discharges and/or Runoff	BAT Malaysia's facilities team sourced water from respective State Government authorised water suppliers. The water withdrawal did not affect any of the six sites designated under the Ramsar List of Wetlands of International Importance* in Malaysia. * These wetlands are included under the Ramsar Convention, which is an international treaty for the Conservation and Sustainable Utilisation of Wetlands. BAT Malaysia did not reuse any recycled water in 2020.

GRI STANDARDS GUIDELINE 2020

EHS (continued)

GRI Code	Disclosure Title	Responses/Results for 2020
Environmental Compliance		
307	Management Approach Disclosure: Environmental Compliance	<p>We are the world's most international tobacco company, and our operations spread across a diverse geography of countries. We are committed to operating responsibly in both the direct/ indirect operations that we control, and throughout the wider supply chain that we influence.</p> <p>Responsibility is one of the cornerstones of our strategy, and we believe that good environmental practice is good business practice.</p> <p>To this end, we have implemented an environmental management system in accordance with the principles of Environmental Quality Act 1974 & BAT Global Guideline.</p> <p>We will:</p> <ul style="list-style-type: none"> - Comply with all legal and regulatory requirements governing environmental management in the countries where we operate. We will implement environmental management practices internally (often more stringent than the legal requirements in-country) and monitor compliance to them. - Understand our impacts on the environment in which we operate, and proactively put in place plans to minimise these impacts. - Use our established framework of policy, good practice and procedure to manage our environmental performance, and audit compliance to this via our internal auditing capabilities. - 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. We will use external assurance to verify our performance. - Provide training for staff and share good practice across the Group. - Include environmental considerations in our product design through the use of Sustainability Business Assessments ("SBA") and Product Lifecycle Analysis ("PLA"). - Work with suppliers, Joint Venture partners and service providers to reduce the impacts of our products and services across the total lifecycle, share good practices on environmental management and ensure that they are measuring and managing their business in an environmentally sustainable way. - Collaborate with key stakeholders through open dialogue, to better understand emerging issues, regulatory or societal expectations, and technological innovations. We will work with governments, Non-Governmental Organisations ("NGOs"), academics and other stakeholders to develop effective and sustainable solutions to the environmental challenges that we face.
307-1	Non-Compliance with Environmental Laws and Regulations	BAT Malaysia was in full compliance with environmental laws and regulations for 2020.

GRI STANDARDS GUIDELINE 2020

EHS (continued)

GRI Code	Disclosure Title	Responses/Results for 2020
Occupational, Health and Safety		
403-1	Occupational Health and Safety Management System	<p>BAT Malaysia believes in the active participation of each employee and others as appropriate, in promoting, achieving and maintaining the highest standards of health and safety, in so far as it is reasonably practicable.</p> <p>We will provide and maintain safe and healthy working conditions, equipment and systems of work for all employees and other associated personnel; and provide instruction, training and supervision as may be required for this purpose. Our approach will be based on hazard identification and risk assessment, for the purpose of effectively controlling health and safety risks in the workplace.</p> <p>BAT Malaysia will meet its applicable health and safety legal and other obligations to employees and non-company personnel who may be affected by its business activities.</p> <p>All staff regardless of their level in the organisation must take reasonable care of the health and safety of themselves and others whilst at work, and co-operate fully with BAT Malaysia in all health and safety related matters.</p> <p>Arrangements for carrying out our commitments will incorporate consultation with appropriate staff and others, and reference will be made to practical guidance and approved codes of practice.</p> <p>This policy statement, its commitment and implementing measures will be kept under review by the Management Board and updated, as often as may be appropriate to ensure our objectives are achieved. Any revision will be published by BAT Malaysia and brought to the notice of all employees and other relevant personnel.</p>
403-2	Hazard Identification, Risk Assessment, and Incident Investigation	<p>The integrated environmental, health & safety management system ("IMS-EHS") is that part of the overall management system of BAT Malaysia that includes organisational structure, responsibilities, planning activities, practices, procedures, processes and resources for developing, implementing, reviewing and maintaining the environmental, health & safety (EHS) policy. The IMS-EHS is to be implemented by all operating and end-market companies.</p> <p>The proactive integrated EHS management system has been developed to describe, control and record all the relevant tasks connected with environmental protection and occupational health & safety in BAT Malaysia and its operating companies. It is intended to simplify the structural and organisational arrangements in operating companies and improve information sharing and system transparency.</p> <p>An EHS Road Map has been developed as a tool to assess IMS-EHS implementation against set criteria and drive continual improvements. All companies are required to complete EHS Road Map templates annually, indicating current implementation, targets for the following year and long-term targets.</p>

GRI STANDARDS GUIDELINE 2020

EHS (continued)

GRI Code	Disclosure Title	Responses/Results for 2020
403-3	Occupational Health Services	Not Applicable.
403-4	Worker Participation, Consultation, and Communication on Occupational Health and Safety	<p>BAT Malaysia has established an EHS policy/steering committee chaired by the Operations Director responsible for EHS management. The Top team member responsible for EHS must be a member of the committee. All key functions must also be represented by managers appointed by their respective functional directors.</p> <p>EHS policy/steering committees must meet twice a year. The committee must work to a defined agenda and formal and actionable minutes with appropriate follow-up responsibilities prepared. Functions of the EHS Policy Committee include:</p> <ul style="list-style-type: none"> - continuously reviewing and assessing the effectiveness of BAT Malaysia EHS Policy, EHS management systems and programmes; - deciding priorities, budgets timings and targets; - ensuring implementation of actions necessary to comply with laws/legislation and BAT Malaysia's EHS policy objectives; - maintaining programmes; - forming a link with external audiences; - approving internal self-assessment reviews by completing the EHS Road Map templates at least annually; - reviewing and approving of the Control Navigator.
403-5	Worker Training on Occupational Health and Safety	<p>International and Regional trainings were provided to 406 employees and 4,040 hours were invested. Local trainings were provided to 319 employees and a total of 3,528 hours were invested.</p> <p>The training programmes offered are listed as follows:</p> <ol style="list-style-type: none"> 1) Local Training: 10 hours. 2) International and Regional Training: 11 hours. <p>The hours calculated are based on the average hours per participant.</p> <p>The central programmes were under the purview of BAT Malaysia's Human Resources function and covered all other functions within BAT Malaysia. The Global Leadership Curriculum ("GLC") includes all the leadership programmes wholly owned by British American Tobacco p.l.c or while non-GLC courses cover all the trainings conducted by cover all the trainings conducted by externally-hired externally hired trainers, based on the employees' respective development needs.</p>
403-6	Promotion of Worker Health	<p>BAT Malaysia is committed to the prevention of injury and ill-health and we strive for continual improvement in our health and safety management and performance through setting clear objectives, including the monitoring and measurement of key performance indicators.</p>

GRI STANDARDS GUIDELINE 2020

EHS (continued)

GRI Code	Disclosure Title	Responses/Results for 2020
403-7	Prevention and Mitigation of Occupational Health and Safety Impacts Directly Linked by Business Relationships	<p>All management units must introduce programmes and procedures for assessing and controlling all foreseeable, significant EHS risks associated with all activities and processes of their operations which have the potential to cause harm to the health & safety of the employees and non-employees on company premises and the environment which are relevant to BAT Malaysia's policy objectives.</p> <p>The procedures for carrying on these activities and processes must be controlled effectively to prevent or minimise health & safety risks and environmental impacts, be properly implemented and understood by all employees and non-employees on company premises through appropriate education and training.</p> <p>Both health & safety and environmental risks assessment are required to assess the risks imposed by hazards and to develop appropriate corrective actions to mitigate risks as low as required by local legislation or BAT policy requirements, whichever is the highest. Risk assessment is crucial to demonstrate compliance with BAT Malaysia EHS policies and guidelines and with relevant local regulations and standards. Additionally risk assessment is a crucial step in determining the consistency of decision-making and cost effectiveness in resource allocation to manage the health and safety and environmental risk profile of the business.</p>
403-8	Workers Covered by an Occupational Health and Safety Management System	<p>100 percent of the total workforce was represented by a senior manager representing each function in our Corporate Environmental Health and Safety (EHS) Committee.</p> <p>Six representatives each (from management and non-management employees respectively) are members of the EHS Committee. This Committee is headed by a Chairman (Head of Production) and also includes representatives from Occupational Health, Security and an appointed secretary (EHS Manager).</p>
403-9	Work-Related Injuries	In 2020, BAT Malaysia and its wholly-owned marketing subsidiary, Commercial Marketers and Distributors Sdn Bhd & Tobacco Importers & Manufacturers Sdn Bhd achieved 804,785 man-hours without a Lost Time Injury since September 2011.
403-10	Work-Related Ill Health	There was no record of workers having high incidence or high risk of diseases relating to their occupation in BAT Malaysia reported in 2020.
102-11	Precautionary Principle or Approach	Refer to Sustainability chapter on page pages 44 to 55.

GRI STANDARDS GUIDELINE 2020

LEGAL

GRI Code	Disclosure Title	Responses/Results for 2020
Anti-Corruption		
205	Management Approach Disclosures: Anti-Corruption	BAT Malaysia practices a zero tolerance approach on bribery and corruption. The zero tolerance approach means BAT Malaysia and its employees must always be alert to the risks of the bribery and corruption.
205-1	Operations Assessed for Risks Related to Corruption	<p>It is a mandatory policy, set out in the Standards of Business Conduct (“SoBC”), that BAT Malaysia and all employees (including all Directors) observe and comply with the laws and regulations applicable to them and that they act with high standards of business integrity.</p> <p>The SoBC include specific provisions on gifts and business entertainment, and provide employees with guidance on what they may and may not offer or accept in this regard. Gifts and business entertainment (other than of a modest amount) must be notified to the Head of Legal and Corporate Affairs and recorded in its books. Additionally, certain types of gift and entertainment are specified as unacceptable as they would represent a corrupt act.</p> <p>The Third-Party Anti-Bribery and Corruption Procedure which was rolled out in 2018 seeks to appropriately identify, assess, mitigate and monitor bribery and corruption risk when dealing with third parties who are providing services to and on behalf of at BAT Malaysia. All existing suppliers have undergone the review under the Procedure, which will also be applicable to all new suppliers.</p>
205-2	Communication and Training About Anti-Corruption Policies and Procedures	<p>All employees have access to and are made aware of the SoBC via its intranet, the SoBC mobile app and employee onboarding training, which includes detailed information on anti-corruption and bribery.</p> <p>In addition, employees who are managing third-parties were trained on the Third-Party Anti-Bribery and Corruption Procedure and all employees and service providers who interact with public officials have been trained on Anti-Bribery and Corruption and Gifts and Entertainment in accordance with the SoBC.</p> <p>Reinforcement messages to all employees on the compliance to the SoBC was done in November 2020 during the annual SoBC sign-off.</p>
205-3	Confirmed Incidents of Corruption and Actions Taken	There was no incidence of corruption reported in BAT Malaysia in 2020.

GRI STANDARDS GUIDELINE 2020

LEGAL (continued)

GRI Code	Disclosure Title	Responses/Results for 2020
Anti-Competitive Behaviour		
206	Management Approach Disclosure: Anti-Competitive Behaviour	BAT Malaysia ensures its employees compete fairly, ethically and in line with the applicable laws. BAT Malaysia also provides its employees a wide range of guidance documents which includes a Competition Compliance Procedure that guided business units and functions through identifying, assessing and mitigating competition law risks.
206-1	Legal Actions for Anti-Competitive Behaviour, Anti-Trust, and Monopoly Practices	<p>There was no legal action taken against BAT Malaysia for anti-competitive behaviour, anti-trust or monopoly practices in 2020.</p> <p>The SoBC embeds the principles of fair competition in conducting business. In addition, BAT Malaysia's Competition Guidelines also ensures that business activities are not in any manner anti-competitive with law and regulations.</p>
Non-Discrimination		
406	Management Approach Disclosures: Non-Discrimination	BAT Malaysia does not tolerate any form of discrimination amongst its employees. The no-tolerance approach towards discrimination is embedded in the SoBC.
406-1	Incidents of Discrimination and Corrective Actions Taken	<p>There was no incident of discrimination at BAT Malaysia in 2020.</p> <p>The Respect in the Workplace section of the SoBC makes clear BAT Malaysia's commitment to treating all colleagues and business partners inclusively, with dignity and with respect.</p> <p>This includes specific provisions for promoting equality and diversity and preventing harassment and bullying. It details how all aspects of harassment are completely unacceptable and that BAT Malaysia is committed to removing any such actions or attitudes from the workplace.</p> <p>The SoBC provides for a comprehensive whistleblowing procedure which enables any employee to raise any concern including that of discrimination.</p>
Security Practices		
410	Management Approach Disclosures: Security Practices	"Delivery with Integrity" is at the heart of everything BAT Malaysia's group security does. BAT Malaysia's security practitioners recognises the importance and the emphasis, BAT Malaysia places on individual accountability, its corporate values and strict adherence to the SoBC.
410-1	Security Personnel Trained in Human Rights Policies or Procedures	The Human Rights and Our Operations section of the SoBC ensures that BAT Malaysia conducts the operations in a way that respects the Human Rights of its employees, the people that BAT Malaysia works with and the communities in which BAT Malaysia operates in.

GRI STANDARDS GUIDELINE 2020

LEGAL (continued)

GRI Code	Disclosure Title	Responses/Results for 2020
Rights of Indigenous People		
411	Management Approach Disclosures: Rights of Indigenous People	BAT Malaysia's Employment Principles build on its commitment to good employment practices and workplace related human rights.
411-1	Incidents of Violations Involving Rights of Indigenous Peoples	<p>There were no incidents of violations involving rights of indigenous people at BAT Malaysia in 2020.</p> <p>BAT Malaysia's Employment Principles builds on its commitment to good employment practices and workplace related human rights. It sets out a common approach to the development of policies and procedures, while recognising that we must take account of local labour laws and practices and the local political, economic and cultural context. Topics covered by our Employment Principles include:</p> <ol style="list-style-type: none"> (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) Do not condone or employ child labour. (6) Forced or bonded labour is completely unacceptable. (7) Performance responsibility. (8) Health, safety and environmental responsibility. (9) Community contributions and skills development for employees and communities in markets where our companies operate. (10) Personal development and learning. (11) Reasonable working hours and family friendly policies. (12) Fair, clear and competitive remuneration and benefits.
Human Rights Assessment		
412	Management Approach Disclosures: Human Rights Assessment	BAT Malaysia always conducts its operations in a way that respects the human rights of the employees, the people BAT Malaysia deals with and the communities in which BAT Malaysia operates.
412-1	Operations that have been Subjected to Human Rights Reviews or Impact Assessments	<p>The Human Rights and Our Operations section of the SoBC makes it clear that BAT Malaysia must identify specific Human Rights risks that may be relevant for, or impacted by, BAT Malaysia's operations.</p> <p>In doing so, BAT Malaysia will seek the views of stakeholders, including employees and their representatives. BAT Malaysia will take appropriate steps to ensure that the operations do not contribute to human rights abuses and to remedy any adverse human rights impacts directly caused by our actions.</p>

GRI STANDARDS GUIDELINE 2020

LEGAL (continued)

GRI Code	Disclosure Title	Responses/Results for 2020
412-2	Employee Training on Human Rights Policies or Procedures	<p>Trainings on human rights policies and procedures were provided including the following:</p> <ol style="list-style-type: none"> 1. Modern Day Slavery - training by Safetrac. 2. The changing role of the governance professional post-COVID - Corporate Governance International. 3. MAICSA Annual Conference 2020 - MAICSA. 4. Director's training on ESG Trends and Regulatory Developments - BAT Malaysia.
Socio-Economic Compliance		
419	Management Approach Disclosures: Socioeconomic Compliance	The socioeconomic compliance is a process by which BAT Malaysia provides the guidance to its employee in handling these types of risks. The level of procedures includes methods to detect and minimise such risks.
419-1	Non-Compliance with Laws and Regulations in the Social and Economic Area	<p>Monetary value of significant fines and total number of non-monetary sanctions for non-compliance with laws and regulations:</p> <p>There was no significant fines or any non-monetary sanctions imposed on BAT Malaysia in 2020 for non-compliance with law and regulations.</p> <p>Monetary value of significant fines for non-compliance with laws and regulations concerning the provision and use of products and services:</p> <p>There was no significant fines imposed on BAT Malaysia in 2020 for non-compliance with laws and regulations concerning the provision and use of products and services.</p>
Customer Privacy		
418	Management Approach Disclosures: Customer Privacy	BAT Malaysia treats the personal data of its consumers with high priority and integrity. Almost all of BAT Malaysia's documentation and contracts provides a section in dealing with Personal Data. Personal Data of its customer or vendors or suppliers are considered as Confidential Information.
418-1	Substantiated Complaints Concerning Breaches of Customer Privacy and Losses of Customer Data	No complaints were received regarding breaches of customer privacy and losses of customer data.

GRI STANDARDS GUIDELINE 2020

HUMAN RESOURCES

GRI Code	Disclosure Title	Responses/Results for 2020
Economic Performance		
201-3	Defined Benefit Plan Obligations and Other Retirement Plans	In 2020, BAT Malaysia contributed an additional 4 percent into the employees' accounts, above the mandatory employer Employees Provident Fund ("EPF"), which 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. Employees contribute 11 percent to EPF as per statutory requirements. In 2020, EPF announced an adjustment and employees were asked whether they wanted to adjust their EPF contribution in 2021, to maintain 11 percent contribution or reduce the contribution to 9 percent.
Market Presence		
202	Management Approach Disclosures: Market Presence	BAT Malaysia has policies in place to ensure all Human Resources Practices are in line with local legislation and British American Tobacco p.l.c. Group directions.
202-1	Ratios of Standard Entry Level Wage by Gender Compared to Local Minimum Wage	For 2020, BAT Malaysia ensured that its workforce irrespective of gender or location is compensated above the prescribed amount in the Minimum Wages Order 2020.
202-2	Proportion of Senior Management Hired from the Local Community	In 2020, the percentage of senior management in BAT Malaysia at significant locations of operations that are hired from the local community represent 83 percent.
Employment		
401	Management Approach Disclosures: Employment	For 2020, BAT Malaysia ensured that its workforce irrespective of gender or location is compensated above the prescribed amount in the Minimum Wages Order 2016. BAT Malaysia has policies in place to ensure all Human Resources Practices are in line with local legislation and British American Tobacco p.l.c. Group directions.

GRI STANDARDS GUIDELINE 2020

HUMAN RESOURCES (continued)

GRI Code	Disclosure Title	Responses/Results for 2020
401-1	New Employee Hires and Employee Turnover	<p>As at 31 December 2020:</p> <p>The total number of employees who left employment in 2020 by age group:</p> <ol style="list-style-type: none"> 1) Less than 30 years old: 26 2) 30-50 years old: 44 3) Above 50 years old: 28 <p>The total number of employees who left employment in 2020 by gender:</p> <ol style="list-style-type: none"> 1) Male: 68 2) Female: 31 <p>The total number of employees who left employment in 2020 by region:</p> <ol style="list-style-type: none"> 1) North: 18 2) South: 6 3) East Malaysia: 3 4) Central: 17 5) HQ: 55 <p>The total number of new employee hires in 2020 by age group:</p> <ol style="list-style-type: none"> 1) Less than 30 years old: 26 2) 30-50 years old: 20 3) Above 50 years old: 1 <p>The total number of new employee hires in 2020 by gender:</p> <ol style="list-style-type: none"> 1) Male: 28 2) Female: 19
401-2	Benefits Provided to Full-Time Employees that are not Provided to Temporary or Part-Time Employees	<p>The following benefits were provided to BAT Malaysia's full-time management and non-management employees:</p> <ol style="list-style-type: none"> 1) Medical Benefits. 2) Employee Assistance Programme. 3) Annual, compassionate, examination, hospitalisation, maternity, paternity, marriage, sick, study, caregivers, enrichment and pilgrimage leave. 4) Bonus. 5) Group Team Life Insurance Scheme. 6) Employees Provident Fund. 7) Stock Ownerships (depending on grade). 8) Company vehicle and monthly cash allowance (depending on grade). 9) Corporate club membership (depending on grade). 10) Flexible Benefits. 11) Long Service Awards.

GRI STANDARDS GUIDELINE 2020

HUMAN RESOURCES (continued)

GRI Code	Disclosure Title	Responses/Results for 2020
401-3	Parental Leave	<p>As at 31 December 2020:</p> <p>Total number of employees that were entitled to parental leave by gender:</p> <p>1) Female: 41 2) Male: 180</p> <p>Total number of employees that took parental leave by gender:</p> <p>1) Female: 3 2) Male: 6</p> <p>Total number of employees who returned to work after parental leave ended by gender:</p> <p>1) Female: 3 2) Male: 6</p>
Diversity and Equal Opportunity		
405	Management Approach Disclosures: Diversity and Equal Opportunity	BAT Malaysia is committed to ensure we have policies in place for diversity and equal opportunities among its employees. BAT Malaysia is committed to ensuring equality and promoting diversity in the workplace.
405-1	Diversity of Governance Bodies and Employees	<p>The percentage of BAT Malaysia's Board of Directors by gender:</p> <p>1) Male: 70 percent (5 out of 7 Directors) 2) Female: 30 percent (2 out of 7 Directors)</p> <p>The percentage of BAT Malaysia's Board of Directors by age groups:</p> <p>1) Under 30 years old: 0 2) 30-50 years old: 15 percent (1 out of 7 Directors) 3) Over 50 years old: 85 percent (6 out of 7 Directors)</p> <p>The percentage of employees in BAT Malaysia by gender:</p> <p>1) Male: 74 percent (295 out of 397 employees) 2) Female: 26 percent (102 out of 397 employees)</p> <p>The percentage of employees in BAT Malaysia by age group:</p> <p>1) Under 30 years old: 19 percent (74 out of 397 employees) 2) 30-50 years old: 68 percent (270 out of 397 employees) 3) Over 50 years old: 13 percent (53 out of 397 employees)</p>
405-2	Ratio of Basic Salary and Remuneration of Women to Men	Male and female employees of the same grade shared the same salary scale. Starting salary might differ based on talent, experience and skills set. Male and female Management Trainees were paid equal basic salaries.

GRI STANDARDS GUIDELINE 2020

HUMAN RESOURCES (continued)

GRI Code	Disclosure Title	Responses/Results for 2020
Labour/Management Relations		
402	Management Approach Disclosures: Labour/ Management Relations	BAT Malaysia has policies in place to ensure all Human Resources Practices are in line with local legislation.
402-1	Minimum Notice Periods Regarding Operational Changes	As of 31 December 2020, there are no unionised employees in BAT Malaysia.
Training and Education		
404	Management Approach Disclosures: Training and Education	BAT Malaysia is highly committed to employees' development and has a robust learning and development agenda.
404-1	Average Hours of Training Per Year Per Employee	<p>International and local trainings were provided to 387 employees with a total number of 3,180 hours invested. Online training consists of 2,578 hours through our newly introduced online learning platform - The Grid & LinkedIn Learning. Global Leadership Curriculum (GLC) were provided to targeted groups and a total of 604 hours were invested. The training programmes offered are listed as follows:</p> <ol style="list-style-type: none"> 1) GLC Local training: 13 hours 2) International and Regional training: 206 hours <p>Employees' profile: Male: 286 Female: 101 Non-Management: 236 Management: 115 Senior Management: 35</p> <p>The hours are calculated based on the average hours per participant. The central programmes were under the purview of British American Tobacco Malaysia's Human Resources function and covered all other functions within BAT Malaysia.</p> <p>The Global Leadership Curriculum (GLC) includes all the leadership programmes wholly-owned by British American Tobacco p.l.c. while the non-GLC courses cover all trainings conducted by externally-hired trainers with vast experience based on the employees' respective development needs and a focus to unlock capabilities. We do our best to ensure that we empower all of our diverse employees across grades and functions by providing a holistic and well-rounded training curriculum.</p>

GRI STANDARDS GUIDELINE 2020

HUMAN RESOURCES (continued)

GRI Code	Disclosure Title	Responses/Results for 2020
404-2	Programmes for Upgrading Employee Skills and Transition Assistance Programmes	<p>There are two types of GLC programmes implemented to upgrade employee skills which are Junior to Middle Development Programme, and Senior Development Programme. Some examples of these programmes are as below:</p> <ol style="list-style-type: none"> 1) Leadership Training <ol style="list-style-type: none"> a. Leading Self b. Leading Teams c. Leading Through People d. Women in Leadership e. The Grad Academy f. Impact & Gravitas g. Impact & Gravitas Lite 2) Skills Training <ol style="list-style-type: none"> a. POSITIVE Refresh b. Microsoft Excel c. Defensive Driving 3) Human Resources <ol style="list-style-type: none"> a. HR in Digital Era 4) Finance <ol style="list-style-type: none"> a. Finance Excellence Programme <p>BAT Malaysia also offers online training courses on The Grid - a one stop solution for all learnings needs for management population of employees to access learning materials at their convenience to bridge development gaps which were identified as key focus areas in 2020:</p> <p>Key capabilities of the focus to build was based on our ethos leadership capabilities which comprises topics such as: Bold, Learning Agility, Empowerment, Business Agility, Diversity & Inclusion & Business Sustainability. Examples of E-Learning video topics are as below:</p> <ol style="list-style-type: none"> 1) Agile at Work: Building Your Agile Team 2) Enhancing Team Innovation 3) The Need for Inclusion 4) Mastering Inclusion 5) Hive Marketing 6) Leading with Stories 7) Learning Data Science 8) Strategies for Learning from Failure 9) Managing your Development Conversation 10) How Great Leaders Inspire Action 11) Learning Design Thinking: Lead Change in Your Organisation 12) Spotlights on Open Innovation 13) Introduction to Enterprise Portfolio Management ("EPMO") 14) Online Marketing Foundations: Digital Marketing Research

GRI STANDARDS GUIDELINE 2020

HUMAN RESOURCES (continued)

GRI Code	Disclosure Title	Responses/Results for 2020
404-3	Percentage of Employees Receiving Regular Performance and Career Development Reviews	100 percent of employees, both management and non-management employees, received a formal performance appraisal and review during the reporting period.

Other Information

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 - Proxy Form

ANALYSIS OF SHAREHOLDINGS

as at 22 February 2021

The total number of issued shares of the Company stands at 285,530,000 ordinary shares, with voting right of one 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	904	5.15	9,932	0.00
100 - 1,000	8,784	50.05	5,121,056	1.79
1,001 - 10,000	6,556	37.36	24,549,877	8.60
10,001 - 100,000	1,162	6.62	31,617,278	11.07
100,001 - 14,276,499 *	142	0.81	81,466,757	28.53
14,276,500 and above **	1	0.01	142,765,100	50.00
Total	17,549	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	13,441	76.59	63,155,142	22.12
2. Body Corporate				
a. Banks/Finance Companies	11	0.06	2,381,496	0.83
b. Investments Trusts/Foundations/Charities	3	0.02	9,588	0.00
c. Industrial and Commercial Companies	214	1.22	147,374,489	51.61
3. Government Agencies/Institutions	1	0.01	2,548	0.00
4. Nominees	3,877	22.09	72,605,736	25.43
5. Others	2	0.01	1,001	0.00
Total	17,549	100.00	285,530,000	100.00

ANALYSIS OF SHAREHOLDINGS

as at 22 February 2021

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	Number of ordinary shares			
	Direct Interest		Indirect Interest	
No. Name	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*	-	-

ANALYSIS OF SHAREHOLDINGS

as at 22 February 2021

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 of 25p each in British American Tobacco p.l.c.			
		Direct Interest		Indirect Interest	
No.	Name	No. of Shares Held	% of Issued Shares	No. of Shares Held	% of Issued Shares
1.	Jonathan Reed	278	0.00*	-	-
2.	Datuk Lee Oi Kuan	30,370	0.00*	-	-
3.	Ignacio Ballester	17,546	0.00*	-	-

Note:

* Less than 0.01%

Interest in the Ultimate Holding Company British American Tobacco p.l.c.		Number of ordinary shares of 25p each in British American Tobacco p.l.c.	
		Deferred Share Bonus Scheme & International Share Reward Scheme	
		Direct Interest	
No.	Name	No. of Shares Held	
1.	Jonathan Reed	5,264	
2.	Ignacio Ballester	5,752	

Interest in the Ultimate Holding Company British American Tobacco p.l.c.		Number of options in ordinary shares of 25p each in British American Tobacco p.l.c.	
		Long Term Incentive Plan	
		Direct Interest	
No.	Name	No. of Options Held	
1.	Jonathan Reed	13,250	
2.	Ignacio Ballester	7,259	

Save as disclosed above, none of the Directors of the Company has any interest direct or indirect in the Company and its related corporations.

ANALYSIS OF SHAREHOLDINGS

as at 22 February 2021

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.	Cartaban Nominees (Tempatan) Sdn Bhd PAMB for Prulink Equity Fund	4,849,600	1.70
3.	Cartaban Nominees (Asing) Sdn Bhd Exempt An For State Street Bank & Trust Company (West CLT 0D67)	4,377,174	1.53
4.	CIMB Group Nominees (Tempatan) Sdn Bhd CIMB Bank Berhad (EDP 2)	3,463,300	1.21
5.	Tan Yu Yeh	3,050,300	1.07
6.	HSBC Nominees (Asing) Sdn Bhd BBH and Co Boston for PRUSIK Asian Equity Income Fund (PRUSIK U FD PLC)	3,000,000	1.05
7.	Citigroup Nominees (Tempatan) Sdn Bhd Great Eastern Life Assurance (Malaysia) Berhad (PAR 1)	2,410,700	0.84
8.	Woon Chuan Keong	2,400,000	0.84
9.	Yap Ah Fatt	2,350,000	0.82
10.	Tan Yu Wei	2,295,000	0.80
11.	HSBC Nominees (Asing) Sdn Bhd JPMCB NA for Vanguard Total International Stock Index Fund	2,262,769	0.79
12.	Kam Loong Mining Sdn Bhd	2,200,000	0.77
13.	HSBC Nominees (Asing) Sdn Bhd JPMCB NA for Vanguard Emerging Markets Stock Index Fund	1,929,034	0.68
14.	Citigroup Nominees (Tempatan) Sdn Bhd UBS AG Singapore for Tan Yu Yeh	1,630,000	0.57
15.	HSBC Nominees (Asing) Sdn Bhd HSBC (M) Trustee Bhd for Affin Hwang Select Opportunity Fund (3969)	1,448,600	0.51
16.	DB (Malaysia) Nominee (Asing) Sdn Bhd SSBT Fund WTAU for Wisdomtree Emerging Markets Smallcap Dividend Fund	1,386,300	0.49
17.	Cartaban Nominees (Asing) Sdn Bhd State Street London Fund OD80 for iShares V Public Limited Company	1,364,247	0.48

ANALYSIS OF SHAREHOLDINGS

as at 22 February 2021

List of Top Thirty Largest Shareholders (continued)

(without aggregating the securities from different securities accounts belonging to the same Registered Holder)

No.	Name	No. of Shares Held	% of Issued Shares
18.	Maybank Nominees (Tempatan) Sdn Bhd Pledged Securities Account for Douglas Cheng Heng Lee	1,290,100	0.45
19.	UOB Kay Hian Nominees (Asing) Sdn Bhd Exempt An for UOB Kay Hian Pte Ltd (A/C Clients)	1,265,994	0.44
20.	Toh Ean Hai	1,140,000	0.40
21.	Foo Khen Ling	1,050,000	0.37
22.	Chong Ah Suan	985,000	0.34
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 USB AG Singapore (Foreign)	959,600	0.34
26.	Citigroup Nominees (Tempatan) Sdn Bhd Great Eastern Life Assurance (Malaysia) Berhad (LSF)	934,300	0.33
27.	HSBC Nominees (Asing) Sdn Bhd SG Nantes for First Eagle Amundi Builder Fund	910,000	0.32
28.	HSBC Nominees (Tempatan) Sdn Bhd Exempt An for Credit Suisse (SG BR-TST-TEMP)	895,500	0.31
29.	Lim Sew Muei	816,300	0.29
30.	Cartaban Nominees (Asing) Sdn Bhd Exempt An for Barclays Capital Securities Ltd (SBL/PB)	811,500	0.28
Total		196,195,618	68.71

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. 197801005300 (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. 3, Jalan Industri PBP3
Taman Perindustrian
Pusat Bandar Puchong
47100 Puchong, Selangor
Tel : +60(3) 5891 9888
Fax : +60(3) 5891 9882

KUALA LUMPUR

Unit BB1-1, Jalan Shamelin Niaga 2
Shamelin Heights Business Park
Taman Shamelin Perkasa
56100 Kuala Lumpur
Tel : +60(3) 9200 8370
Fax : +60(3) 9200 8371

MELAKA

No. 12 Jalan Abadi 3
Taman Malim Jaya
75250 Melaka
Tel : +60(6) 337 6593 / 336 5435
Fax : +60(6) 335 6449

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

NOTICE OF

ANNUAL GENERAL MEETING

NOTICE IS HEREBY GIVEN that the Sixtieth (“60th”) Annual General Meeting (“AGM”) of British American Tobacco (Malaysia) Berhad (the “Company”) will be held virtually at the broadcast venue, Infinity Room, Level 16, Guoco Tower, Damansara City, No. 6, Jalan Damanlela, Bukit Damansara, 50490 Kuala Lumpur on **Thursday, 22 April 2021** 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 2020 and the Reports of the Directors and Auditors thereon.

Please refer to Explanatory Note 10 (Note A)

2. To re-elect the following Directors, each of whom retires pursuant to Clauses 109.1 and 109.2 of the Constitution of the Company:

i. Dato’ Chan Choon Ngai

**Ordinary
Resolution 1**

ii. Eric Ooi Lip Aun

**Ordinary
Resolution 2**

Please refer to Explanatory Note 10

3. 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 60th AGM of the Company until the next AGM of the Company.

**Ordinary
Resolution 3**

Please refer to Explanatory Note 10

4. To re-appoint KPMG PLT as the Auditors of the Company for the financial year ending 31 December 2021 and to authorise the Directors to fix their remuneration.

**Ordinary
Resolution 4**

AS SPECIAL BUSINESS

To consider and if thought fit, to pass the following Ordinary Resolutions:

5. **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 5**

“THAT, the Recurrent RPTs Mandate (as defined in the Circular to Shareholders dated 24 March 2021) 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 24 March 2021 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 that 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; and
- ii. disclosure of the aggregate value of the transactions conducted during the 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 24 March 2021 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 24 March 2021."

Please refer to Explanatory Note 11

6. To transact any other business of which due notice shall have been given.

By Order of the Board

SHARIFAH THAHERAH SYED TAHA

SSM PC No: 202008004234

MACS01735

Company Secretary

Kuala Lumpur
24 March 2021

NOTICE OF ANNUAL GENERAL MEETING

Notes:

1. Due to the current COVID-19 situation, the 60th AGM will be conducted 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 TIIH Online website at <https://tiih.online>. Please refer to the Administrative Details of the 60th AGM in order to register, participate and vote remotely via the RPV facilities.
2. The broadcast venue of the 60th 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 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 is 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 twenty-four (24) hours before the time appointed for the taking of poll or **no later than 21 April 2021 at 12.00 noon**. The proxy appointment may also be lodged electronically via Tricor’s TIIH Online website at <https://tiih.online>.
8. Only Members whose names appear in the Record of Depositors as at **14 April 2021** (General Meeting Record of Depositors) shall be eligible to attend the Meeting remotely or appoint proxy(ies) to attend and vote remotely on his/her behalf.
9. 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.

NOTICE OF ANNUAL GENERAL MEETING

10. Explanatory Notes on Ordinary Business

Note A

The Audited Financial Statements for the financial year ended 31 December 2020 under Agenda 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 will not be put forward for voting.

Ordinary Resolutions 1 and 2 - To re-elect Dato' Chan Choon Ngai and Eric Ooi Lip Aun as Directors.

Clause 109.1 of the Constitution 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.

Dato' Chan Choon Ngai and Eric Ooi Lip Aun being eligible, have offered themselves for re-election at the 60th AGM.

The Nomination and Remuneration Committee had assessed the performance of the retiring Directors and recommended them for re-election as Directors due to their vast experience and contribution to the Company. Their profiles are stated in the Company's 2020 Annual Report. The Board has endorsed the Nomination and Remuneration Committee's recommendation subject to the shareholders' approval at this AGM.

Ordinary Resolution 3 – 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 60th AGM of the Company until the conclusion of the next AGM of the Company in 2022 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	20,000	-	-	1,000
Nomination and Remuneration Committee	-	-	-	1,000
Risk Management Committee	-	-	-	1,000

The Non-Executive Directors who are shareholders of the Company will abstain from voting on Resolution 3.

NOTICE OF ANNUAL GENERAL MEETING

11. Explanatory Notes on Special Business

Ordinary Resolution 5 – Proposed Renewal of the Recurrent RPTs Mandate

The proposed resolution, if passed, will enable British American Tobacco Malaysia Group to enter into any of the recurrent related party transactions of a revenue or trading nature that 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 that 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 24 March 2021, which is available at the Company's corporate website at www.batmalaysia.com.

12. 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 60th 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 60th 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 the 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 60th AGM

(pursuant to Paragraph 8.27(2) of the Main Market Listing Requirement of Bursa Malaysia Securities Berhad)

The profiles of the Directors who are standing for re-election as per the Notice of the 60th AGM are stated in the Annual Report 2020.

The details of the Directors' interests in the securities of the Company as at 22 February 2021 are stated in the Annual Report 2020.

ADMINISTRATIVE

DETAILS FOR BRITISH AMERICAN TOBACCO (MALAYSIA) BERHAD SIXTIETH (“60th”) ANNUAL GENERAL MEETING (“AGM”)

Date : Thursday, 22 April 2021

Time : 9.30 a.m.

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

1. Public Health Preventive Measure

- The Securities Commission Malaysia (“SC”) had, on 13 January 2021, announced that capital market entities supervised, licensed or registered by the SC shall operate in accordance with the applicable Standard Operating Procedures (“SOP”) issued by the authorities during the Emergency Ordinance and various forms of the Movement Control Order (“MCO”). The SC had, on 12 January 2021, issued a revised Guidance Note on the Conduct of General Meetings for Listed Issuers (“SC Guidance Note”), which states that only fully virtual meetings will be allowed during MCO, subject to the requirements under the prevailing and applicable SOPs.
- In line with the Government’s announcements and the SC Guidance Note, the Company will conduct the 60th AGM on a virtual basis through live streaming and online remote voting via Remote Participation and Voting (“RPV”) facilities, which are available on the Company’s Share Registrar Tricor Investors & Issuing House Services Sdn Bhd’s (“Tricor”) TIH Online website at <https://tiah.online>.
- The broadcast venue of the 60th 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 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 60th AGM via the RPV facilities. You may consider appointing the Chairman of the Meeting as your proxy to attend and vote on your behalf at the 60th AGM.
- Due to the constant evolving COVID-19 situation in Malaysia, we may be required to change the arrangements of our 60th AGM at short notice. Kindly do check the Company’s website or announcements for the latest updates on the status of the 60th 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 14 April 2021 (“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 60th AGM in respect of the number of shares registered in their name at that time.
- If a Member wish to participate in the 60th AGM via the RPV facilities, please **do not** submit any Proxy Form. You will not be allowed to participate in the 60th AGM together with a proxy appointed by you.
- Members/Proxies/Corporate Representatives/Attorneys who wish to participate in the 60th AGM remotely using the RPV facilities, please do read and follow the procedures in **Appendix A**.

ADMINISTRATIVE DETAILS FOR BRITISH AMERICAN TOBACCO (MALAYSIA) BERHAD SIXTIETH (“60th”) ANNUAL GENERAL MEETING (“AGM”)

As the 60th AGM is a fully virtual AGM, Members who are unable to participate in the 60th 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 60th 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 60th AGM whether in hardcopy or by electronic means shall be deposited or submitted in the following manner not less than twenty-four (24) hours before the time appointed for the taking of poll or **no later than 21 April 2021 at 12.00 noon**:
 - 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.
 - 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 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 60th AGM, may need to 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 twenty-four (24) hours before the time appointed for the taking of poll or **no later than 21 April 2021 at 12.00 noon**:
 - 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.
 - 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 60th AGM will be conducted on polling basis. 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 60th 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.

ADMINISTRATIVE DETAILS FOR BRITISH AMERICAN TOBACCO (MALAYSIA) BERHAD SIXTIETH ("60th") ANNUAL GENERAL MEETING ("AGM")

5. Pre-Meeting Submission of Questions to the Board of Directors

- The Board recognises that the 60th AGM is a valuable opportunity for the Board to engage with Members. In order to enhance the efficiency of the proceedings of the 60th AGM, Members may in advance, prior to the 60th 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 **21 April 2021 at 9.30 a.m.** The Board will endeavour to address the questions received at the 60th 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 60th AGM since the 60th AGM is being conducted on a virtual basis.

7. No recording or photography

- Strictly **NO recording or photography** of the proceedings of the 60th AGM is allowed.

8. Enquiry

- If you have general queries prior to the 60th 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) 2783 9299
	Fax No.	+60(3) 2783 9222
	Email	is.enquiry@mytricorglobal.com
	Ms. Lim Lay Kiow	+60(3) 2783 9232 Lay.Kiow.Lim@mytricorglobal.com
	Ms. Siti Zalina	+60(3) 2783 9247 Siti.Zalina@mytricorglobal.com
	Mr. Lim Jia Jin	+60(3) 2783 9246 Jia.Jin.Lim@mytricorglobal.com

ADMINISTRATIVE DETAILS FOR BRITISH AMERICAN TOBACCO (MALAYSIA) BERHAD SIXTIETH (“60th”) ANNUAL GENERAL MEETING (“AGM”)

APPENDIX A

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 TIIH Online 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 60 th AGM remotely	<ul style="list-style-type: none"> Registration is open from 9.30 a.m. on Wednesday, 24 March 2021 until the day of the 60th AGM on Thursday, 22 April 2021. Member(s)/proxy(ies)/corporate representative(s)/attorney(s) are required to preregister their attendance for the 60th AGM to ascertain their eligibility to participate in the 60th AGM using RPV. Login with your user ID (i.e. email address) and password and select “(REGISTRATION) BAT Malaysia 60th AGM”. Read and agree to the “Terms and Conditions” and confirm the “Declaration”. Insert the CDS account number and indicate the number of shares. 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 14 April 2021, the system will send you an email after 21 April 2021 to approve or reject your registration for remote participation. (IMPORTANT: Please allow sufficient time for approval of new user of TIIH Online and registration for RPV).
ON THE AGM DAY		
a.	Login to TIIH Online	<ul style="list-style-type: none"> Login with your user ID (i.e. email address) name and password for remote participation in the 60th AGM at any time from 9.00 a.m. (i.e. 30 minutes) before the commencement of the Meeting at 9.30 a.m. on Thursday, 22 April 2021.
b.	Participate through live streaming	<ul style="list-style-type: none"> Select “(LIVE STREAMING MEETING) BAT Malaysia 60th 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 provide respond to the questions accordingly during the 60th AGM.
c.	Online remote voting	<ul style="list-style-type: none"> Voting session commences from 9.30 a.m. on Thursday, 22 April 2021 until a time when the Chairman of the Meeting announces the end of the voting session. Select “(REMOTE VOTING) BAT Malaysia 60th 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 60th AGM, the live streaming will end.

ADMINISTRATIVE DETAILS FOR BRITISH AMERICAN TOBACCO (MALAYSIA) BERHAD SIXTIETH ("60th") ANNUAL GENERAL MEETING ("AGM")

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.

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 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 "BAT Malaysia 60th 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.

ADMINISTRATIVE DETAILS FOR BRITISH AMERICAN TOBACCO (MALAYSIA) BERHAD SIXTIETH (“60th”) ANNUAL GENERAL MEETING (“AGM”)

Procedure		Action
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 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: 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.</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 “BAT Malaysia 60th 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. Submit the proxy appointment file. Login to TIIH Online and select “BAT Malaysia 60th AGM : Submission of Proxy Form”. Proceed to upload the duly completed proxy appointment file. Select “Submit” to complete your submission. Indicate your voting instructions – “FOR” or “AGAINST”, otherwise your proxy(ies) will decide your vote. Review and confirm your proxy(ies) appointment. Print proxy form 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**, do hereby appoint _____

_____ (NRIC/Passport No.: _____)
(Name as per NRIC/Passport in Capital Letters)

_____ (Full Address)

and/or failing him/her _____ (NRIC/Passport No.: _____)

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 Sixtieth (60th) Annual General Meeting ("AGM") of the Company, to be held virtually at the broadcast venue, **Infinity Room, Level 16, Guoco Tower, Damansara City, No. 6 Jalan Damanlela, Bukit Damansara, 50490 Kuala Lumpur** on **Thursday, 22 April 2021** 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 Dato' Chan Choon Ngai who retires pursuant to Clauses 109.1 and 109.2 of the Constitution of the Company.		
Ordinary Resolution 2	Re-election of Eric Ooi Lip Aun who retires pursuant to Clauses 109.1 and 109.2 of the Constitution of the Company.		
Ordinary Resolution 3	Approval of payment of Directors' fees and benefits to the Non-Executive Directors with effect from the 60 th AGM of the Company until the next AGM of the Company.		
Ordinary Resolution 4	Re-appointment of KPMG PLT as Auditors of the Company for the financial year ending 31 December 2021 and to authorise Directors to fix their remuneration.		
Ordinary Resolution 5	Proposed Renewal of the Recurrent Related Party Transactions Mandate.		

Dated this _____ day of _____ 2021

For appointment of two proxies, the percentage of shareholdings to be represented by the proxies:

Signature(s) of Member(s)/Common Seal

	No. of Shares	Percentage
Proxy 1		
Proxy 2		
TOTAL		100

Notes:

1. Due to the current COVID-19 situation, the 60th AGM will be conducted 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://tih.online>. Please refer to the Administrative Details of the 60th AGM in order to register, participate and vote remotely via the RPV facilities.
 2. The broadcast venue of the 60th 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 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 is 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 nominee 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 twenty-four (24) hours before the time appointed for the taking of poll or **no later than 21 April 2021** at 12.00 noon. The proxy appointment may also be lodged electronically via TIH Online website at <https://tih.online>.
 8. Only Members whose names appear in the Record of Depositors as at **14 April 2021** (General Meeting Record of Depositors) shall be eligible to attend the Meeting remotely or appoint proxy(ies) to attend and vote remotely on his/her behalf.
 9. 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.
- Please refer to the personal data privacy terms set out in the Notice of the 60th AGM dated 24 March 2021.

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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