



Building A Better Tomorrow™

Annual Report 2022



Building A Better Tomorrow™

Our Annual Report cover this year sends an empowering message of how we are driving excellence across our business. It captures our commitment to deliver value to our stakeholders by reducing the health impact of our business, embracing sustainable business practices and addressing industry challenges while simultaneously enriching our communities. As we continue to progress in our transformational journey, we remain steadfast to our commitment to building A Better Tomorrow™.



Scan to view our
Annual Report 2022
microsite

This report is available on our corporate website at:

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

Committed to building A Better Tomorrow™

Our Purpose

To build A Better Tomorrow™ for all our stakeholders.

Our Commitment

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

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



1

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

2

We are uniquely positioned with our consumer-centric, multicategory 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 on our targets and building A Better Tomorrow™.

Basis of This Report

INTEGRATED REPORTING APPROACH

BAT Malaysia has commenced its journey into Integrated Reporting with the publication of this annual report. Guided by both local and international guidelines and frameworks, this report covers the Company's activities between 1 January 2022 and 31 December 2022, and strives to present balanced and comprehensive information to our stakeholders regarding our strategic process and financial performance.

This report also details our non-financial performance in 2022 that incorporates our progress in the Harm Reduction, Environmental, Social and Governance contexts, which are elaborated on further in our Sustainability Statement.

SCOPE AND BOUNDARIES

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

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

- GRI Standards
- Bursa Malaysia Sustainability Reporting Guide 3rd Edition
- FTSE4Good Requirements.

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

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

Together, the Company and its two active subsidiaries above form the operating companies of the Group in Malaysia.

All information presented is as at 31 December 2022, unless otherwise stated.

FORWARD-LOOKING STATEMENTS

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

NAVIGATIONAL ICONS



Refers readers to more information online



Find more information inside this report



FEEDBACK

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

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About Us

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

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Who We Are

The Year At A Glance



Revenue

RM2,597 MillionNet Dividend Per
Share**88** Sen

Profit Before Tax

RM385
Million

Shareholders' Fund

RM377
Million

Net Profit

RM 263
MillionNet Returns on
Shareholders' Fund**70%**

Earnings Per Share (sen)

91.9

Market Share

51.6%

Who We Are

The Year At A Glance

AWARDS AND ACHIEVEMENTS



TOP Employer Award

- Top Employer in Malaysia for the fifth consecutive year
- Also certified Top Employer in the Asia Pacific and Global categories



MSWG-ASEAN Corporate Governance Awards 2021

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



Bursa Malaysia FTSE Russell ESG Ratings

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



Malaysian Occupational Safety and Health Practitioners' Association (MOSHHA) Award

- Platinum Silver award in Manufacturing FMCG Product category
- Completed MOSHHA's Health and Safety Audit with Full Compliance



Who We Are

Corporate Profile



BRITISH AMERICAN TOBACCO (MALAYSIA) BERHAD

BAT Malaysia is the leading tobacco company in the country with a 51.6% share of the legal market.

(Source: IPSOS Retail Audit Dec 2022)

The Company, with 324 employees, has been listed on the Malaysian stock exchange since 1961.

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

Together with our subsidiaries, Commercial Marketers and Distributors Sdn Bhd, and Tobacco Importers and Manufacturers Sdn Bhd, we currently offer high-quality tobacco brands such as Dunhill, Peter Stuyvesant, Rothmans, KYO and tobacco heating products such as glo™.

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



What We Do

Overview of BAT Malaysia

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

We are recognised as a respectable corporate citizen with an excellent track record in corporate governance and are known as a leading employer with a multitude of awards and recognitions for best-in-class talent development. We also understand the importance of community development as our position as an industry leader enables us to make a positive impact and create long-term value for communities.

BAT Malaysia actively contributes to the communities we operate in with our corporate social investments.

100+

Years of
History in Malaysia

324

Employees

**CERTIFIED
TOP
EMPLOYER**



DUNHILL

Peter
Stuyvesant

Rothmans

KYO

glo

viio

What We Do

Corporate Structure



What We Do

Purpose & Strategy

OUR PURPOSE

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



OUR STRATEGY

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

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

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

What We Do

Our Approach To Sustainability

Our Sustainability Agenda is integral to our Group strategy and purpose of building A Better Tomorrow™. It reflects our commitment to reducing the health impact of our business as our principal focus area. This is underpinned by excellence across environmental, social and governance (ESG) priorities.



What We Do

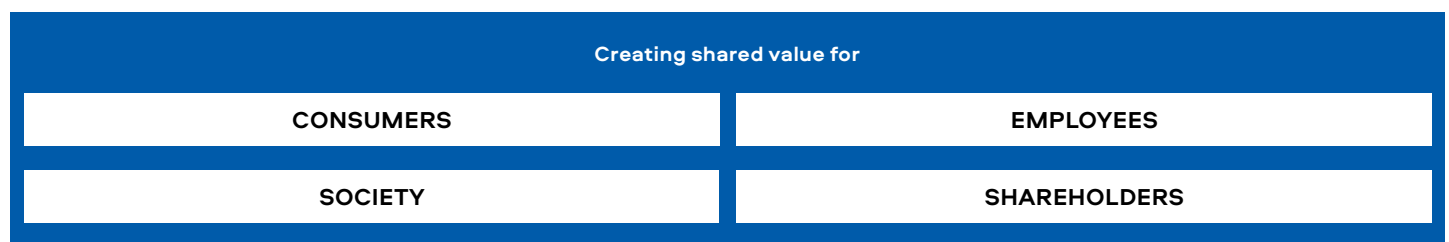
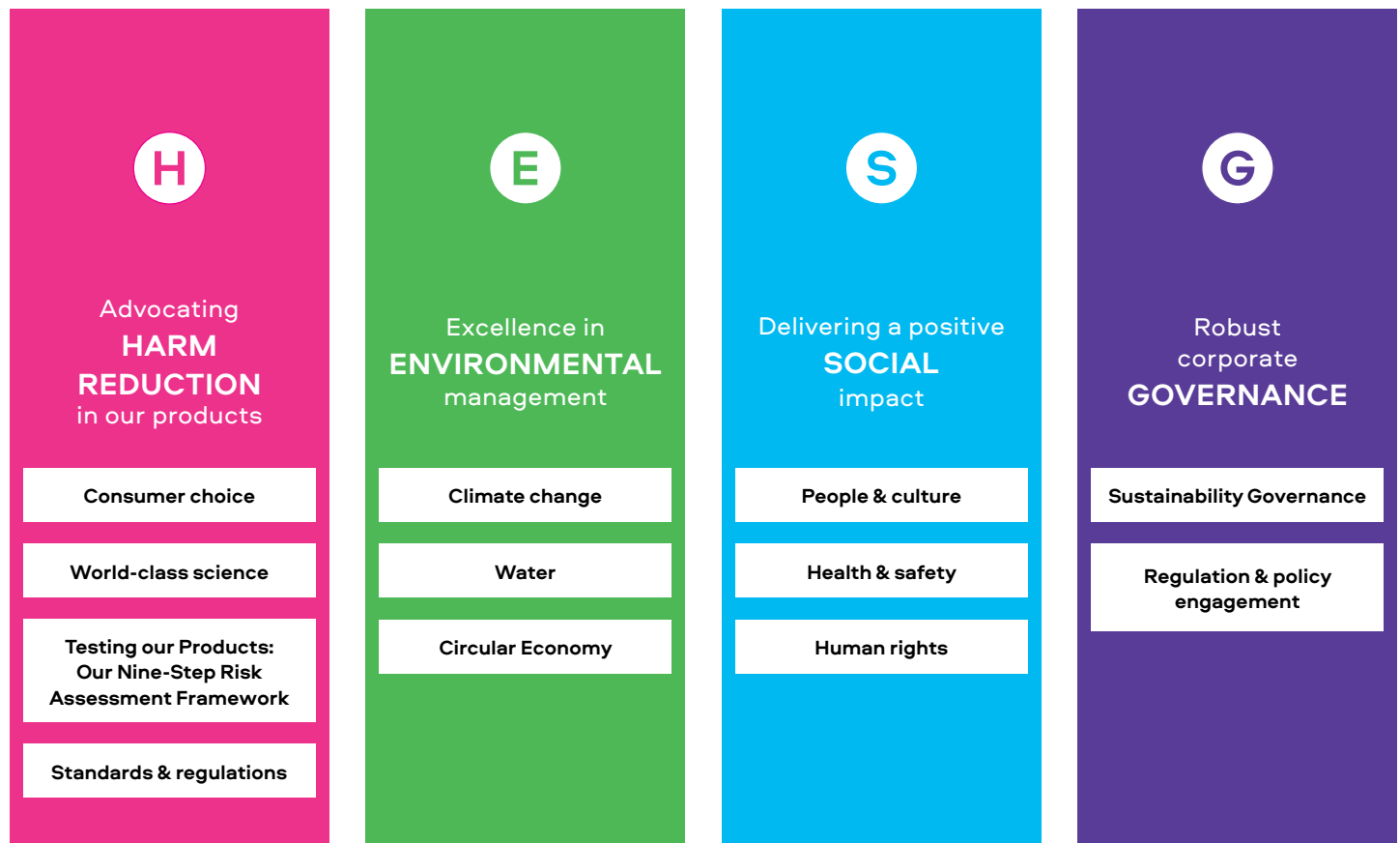
Our Approach To Sustainability

Our Sustainability Agenda is supported by four pillars that prioritise these areas: Harm Reduction, Environmental, Social and Governance. Our Harm Reduction pillar delivers the promise of excellent quality products backed by world-class science, manufactured according to standards and regulations, while our Environmental pillar ensures our operations manages its impact on climate change and managing our natural resources. On the other hand, our Social pillar encompasses the protection of human rights, providing a healthy and safe workplace and supporting our people and the surrounding communities, while Governance ensures that we practice sustainability governance as well as complying to regulations and policies.



Details on how we identify our focus areas can be found in How We Assess Materiality on page 22.

Our Sustainability Agenda



Our Leadership Statement

In 2022, BAT Malaysia delivered a commendable performance given the challenging operating environment. We continue to stay the course in the execution of our strategy in line with our purpose of building A Better Tomorrow™. We are transforming BAT Malaysia into a high-growth multicategory consumer goods Company led by winning brands and multitalented people.

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and Our Managing Director

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Message from Our Chairman and Our Managing Director



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 2022.

In 2022, BAT Malaysia delivered a commendable performance given the challenging operating environment. Although revenue was flat, our gross profit improved marginally and we significantly improved our net operating cash flow for the year.

In line with our commitment to delivering value to our stakeholders, the Board of Directors maintained a dividend payout ratio of above 90% this year.



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

Message from Our Chairman and Our Managing Director



Nedal Salem
(Managing Director)

We continue to stay the course in the execution of our strategy in line with our purpose of building A Better Tomorrow™. We are transforming BAT Malaysia into a high-growth multicategory consumer goods Company led by winning brands and multitalented people.

During the course of the year, we also consistently advocated sustainability, internally and externally. Apart from maintaining our 4-star Bursa Malaysia FTSE Russell Environmental, Social and Governance (ESG) rating, our factory in Johor Bahru achieved carbon neutrality. In addition, we kickstarted our flagship community project that encompasses a food security initiative, enabling communities in the Bottom 40 (B40) income segment to be self-sufficient through the planting of crops in community gardens.

As BAT Malaysia strives for a promising future, we remain committed to working with policymakers in the fight against the tobacco black market. With the incidence of illicit cigarettes continuing to hover above 55%, we remain adamant that this issue is detrimental not only to public health, but also has a significant adverse impact on the country's economy. Therefore, we welcome the additional control measures announced by the Government of Malaysia in Budget 2023 to reduce smuggling activities that will help to recover some of the RM5 billion in tax revenue lost every year. We are also encouraged that the Government is taking positive steps to regulate vapour products and continue to urge the government to take a science-based regulatory approach towards tobacco harm reduction.

In welcoming 2023, we will be amplifying our purpose of building A Better Tomorrow™ through the expansion of our portfolio into reduced-risk* products while continuing to build value in our core business of combustible tobacco brands. Our tobacco heating product, glo™, launched in February 2023, represents our efforts in offering a choice of reduced-risk alternatives to adult smokers. Moving forward, BAT Malaysia will continue to build on this direction to support science-based regulations that have proven to be effective in other countries.

We also take this opportunity to thank the dedicated team at BAT Malaysia for always upholding the culture and ethos of Bold, Fast, Empowered, Responsible and Diverse. We are looking forward to carrying out our promise of delivering sustainable value to all our stakeholders.

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

Nedal Salem
(Managing Director)

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

How We Create Value

In realising our purpose to build A Better Tomorrow™, we firmly uphold our strategy in steering our business towards offering greater choice of reduced-risk products by going beyond our core combustible business of tobacco and nicotine to a new portfolio of products. We believe that our growth model creates value for our customers, builds a dynamic and purposeful workplace for our people and delivers sustainable superior returns to our shareholders.

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Operating Landscape



THE TOBACCO BLACK MARKET

At BAT Malaysia, we recognise that as the market leader with over 51% of market share, the actions required to create value goes beyond merely producing quality tobacco products. This is where broader industry challenges such as illicit cigarettes, which comprises more than half of the tobacco consumed in Malaysia, can seriously impact our ability to create value.

The tobacco black market also has a devastating impact on public health and the economy, causing the government to lose about RM5 billion of tax revenue annually. It is therefore incumbent upon all stakeholders, including BAT, to work closely together to develop a comprehensive strategy to address this issue.

While we are encouraged by the overall declining trend of illicit cigarettes incidence, we believe that much more can be done. We acknowledge that the transshipment ban and increased enforcement efforts have been effective in preventing smuggling with record seizures by the National Task Force that comprises various law enforcement agencies in 2022.

We continue to urge the government to enhance and strengthen anti-smuggling initiatives, including tightening controls on the importation of cigarettes and enhancing controls along the Malaysian coastline and at landing points, including private jetties. We also support the implementation of a special rewards scheme for enforcement agencies to stop smuggling activities, which will drive sustained enforcement efforts.

Listening to Our Stakeholders

ENGAGEMENT WITH STAKEHOLDERS

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

Stakeholders	Engagement Platforms	Issues	How We Addressed the Issues
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 on the 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 provides 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 town hall sessions, annual corporate sessions) Leadership forums with extended and middle management Interdepartmental 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 with all employees
Investors and Analysts	<ul style="list-style-type: none"> Annual General Meeting Annual Report Quarterly analyst briefings Corporate website Company press releases 	<ul style="list-style-type: none"> Corporate strategy and financial performance Corporate governance and compliance Tobacco black market New Category products 	<ul style="list-style-type: none"> Key briefings conducted for analysts and investors on business performance, business strategy and business issues throughout 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 and products and services, and to address consumer concerns
Business Partners, Community & NGOs	<ul style="list-style-type: none"> Engaging with and supporting business partners, corporates and NGOs in addressing issues in the community 	<ul style="list-style-type: none"> Ensuring our business partners are updated and comply with the latest regulations and standards Empowering underprivileged and economically vulnerable communities Providing fair participation in the digital world while reducing e-waste Enabling fair access to education opportunities Environmental, Health and Safety (EHS) best practices 	<ul style="list-style-type: none"> We held briefings, information-sharing and training sessions with business partners to ensure compliance with regulations and standards BAT Malaysia continued its partnership with the MyKasih Foundation in its Food Aid Programme which aims to alleviate the burden of the B40 communities Piloted two community farm garden projects to empower vulnerable communities in growing their food using organic agriculture techniques, simultaneously promoting the concept of shared prosperity.

How We Assess Materiality

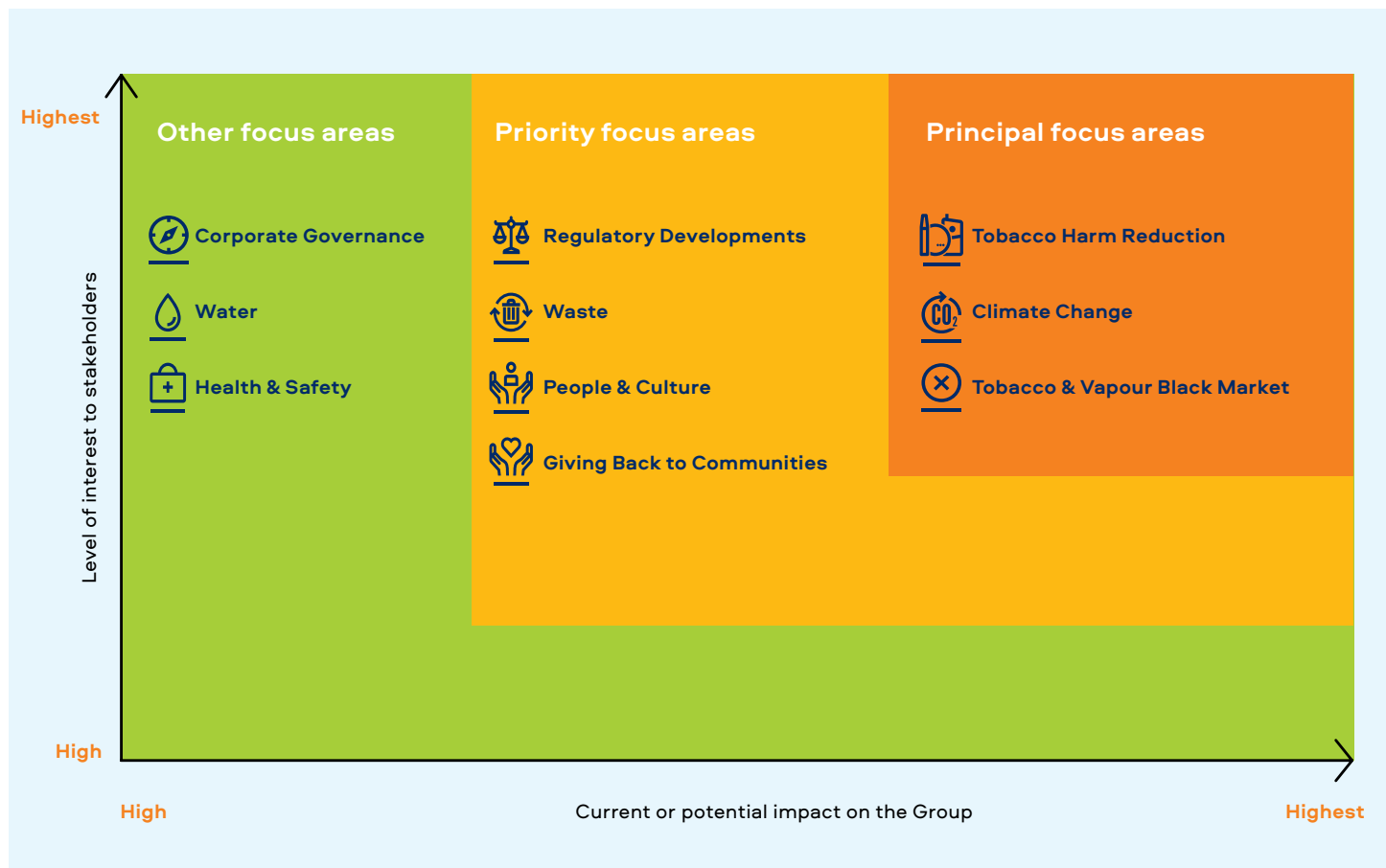
Materiality assessments are vital for us to understand sustainability issues that are important to our business and to our stakeholders.

Determining our material matters is a crucial part of our approach to sustainability, as it enables us to identify and understand our material HESG priorities. Since 2017, BAT p.l.c. has been conducting an in-depth materiality assessment once every three years and reviews the identified material matters on an annual basis.

In 2019, BAT p.l.c. conducted a materiality assessment that included stakeholder engagement, a global media review and internal BAT inputs. As a result, the Group identified a set of comprehensive material

matters, which formed the Sustainability Agenda for the Group. The Sustainability Agenda was then launched in 2020 with the purpose of building A Better Tomorrow™.

Based on the findings of the Group's materiality assessment, BAT Malaysia identified 10 material matters that were relevant to its business operations and activities. Going forward, the Company aims to conduct its own materiality assessment using BAT p.l.c.'s materiality process as a guide and to adapt to developments in the ESG landscape.



The Risks We Consider

CRISIS MANAGEMENT



CRISIS MANAGEMENT TEAM

- Provides leadership & coordination during a crisis.
- Decides on the best response to ensure early resolution of the crisis.
- Approves urgent expenditure & actions to ensure business continuity.



COMMUNICATIONS TEAM

- Handles all communications with stakeholders.
- Obtains the support of key stakeholders who can help to overcome the crisis within the shortest timeframe.
- Coordinates execution of communication strategy.



CRISIS RESPONSE TEAM

- Implements agreed actions in response to a crisis.
- Keeps the Crisis Management Team informed on the progress.
- Documents all learning points and updates the respective business continuity plans.

KEY RISKS TO THE GROUP

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

- Threat from illegal trade for tobacco
- Adverse tobacco regulations
- Threat from illegal vapour products

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

2022 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 2022. The team monitored the progress of key activities for the year, including the progress of the Business Continuity Plans (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 included updates on the key risks of the Group and risk mitigation plans, and the status of the BCPs testing.

Promotion of Risk Awareness

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

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

Crisis Management Activation

In 2020, the Crisis Management and Crisis Response Teams were activated in response to the COVID-19 pandemic. The Crisis Management and Crisis Response Teams remained active in 2022 and took measures to protect the employees and assets of the Group, and to ensure the continuity of its business by:

- having work-from-home arrangements for our employees to ensure their safety and health.
- maintaining a sufficient level of stock to avoid supply disruption.
- taking the necessary precautionary steps to deliver goods to customers.
- continuously monitoring our cash flow liquidity.
- ensuring that employees strictly adhered 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 resulting from the national lockdowns due to the COVID-19 pandemic and the implementation of its new route-to-market strategy. With mitigating activities implemented, the high impact and likelihood of the risks were reduced to manageable levels.

A Strategy for Driving Growth



Stimulating the Senses of New Adult Generations

Inspiration foresights

Connected organisation

Remarkable innovation

People & partnership

Powerful brands

Our Purpose

By stimulating the senses of new adult generations, our purpose is to create A Better Tomorrow™ for all our stakeholders. We will create A Better Tomorrow™ for:

Consumers

enjoyable choices for every mood and moment, today and tomorrow

Society

reduced overall health & environment impact

Empowered

Diverse

Bold

Responsible

Fast

A Strategy for Driving Growth

Our Mission

Stimulating the Senses of New Adult Generations

Today, we see opportunities to capture consumer moments which have, over time, become limited by societal and regulatory shifts, and to satisfy evolving consumer needs and preferences.

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

Inspirational Foresights

Built on our successful history, we have a unique view of the consumer across all of our product categories, which is increasingly driven by powerful data and analytics. These insights ensure that the development and responsible marketing of our products are fit to satisfy consumer needs.

Remarkable Innovation

As consumer preferences and technology evolve rapidly, we rely on our growing global network of digital hubs, innovation super centres, world-class R&D laboratories, external partnerships and our corporate venturing initiative to stay ahead of the curve.

Powerful Brands

For over a century, we have built trusted and powerful brands that satisfy our consumers and serve as a promise for quality and enjoyment. We will build the brands of the future by focusing on fewer, stronger and global brands across all our product categories, delivered through our deep understanding and segmenting of our consumers.

Connected Organisation

Few companies can claim the global reach that we have. Cultivating an ecosystem that directly connects us with consumers and stakeholders, especially through the power of digital technology, ensures we can build the brands of the future, deliver access to markets and foster innovations that offer sensorial enjoyment and satisfy consumer needs.

People and Partnerships

Our highly motivated people are being empowered through a new ethos that is responsive to constant change, embodies a learning culture and is dedicated to continuous improvement. But we cannot succeed on our own, and our partnerships with farmers, suppliers and customers are also key for ensuring sustainable future growth.



Consumers

By responsibly offering enjoyable and stimulating choices for every mood and every moment, today and tomorrow.



Society

By reducing the health impact of our business by offering a range of alternative products, as well as by reducing our environmental and social impacts.



Employees

By creating a dynamic, inspiring and purposeful place to work.



Shareholders & Investors

By delivering sustainable and superior returns.



Employees

a dynamic, inspiring and purposeful place to work



Shareholders & Investors

sustainable and superior returns

Management Discussion & Analysis

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

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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.





Drive Value from Combustibles

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

In 2022, our combustible business experienced an overall decline in market share by 0.8 percent following a strategic exercise to delist Pall Mall and Kent brands in the second quarter of this year as part of the portfolio simplification. However, the Group's Value-for-Money (VFM) brands – KYO & Rothmans, captured additional market share and Dunhill continued to cement its strong foothold by securing growth in the premium segment.

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

Strengthening Premium Segment Leadership

Dunhill continues to strengthen its position as the leading premium brand in Malaysia, delivering growth of 1.1 ppt in the premium segment. This was accomplished by reinforcing Dunhill's position as the benchmark brand for taste, quality, modernity and innovation.

DUNHILL



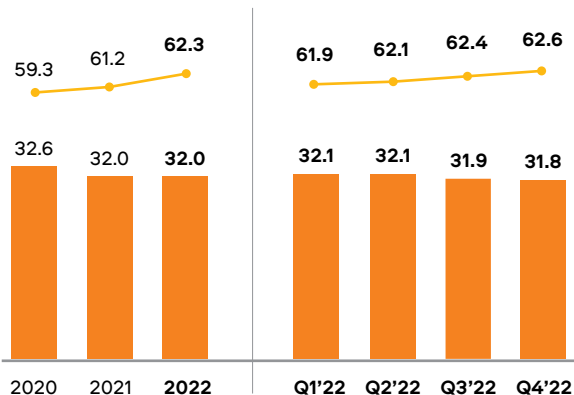
Resilience in Aspirational Premium Segment

Our Peter Stuyvesant brand grew its share of segment by 7.5 ppt in 2022.

Peter Stuyvesant

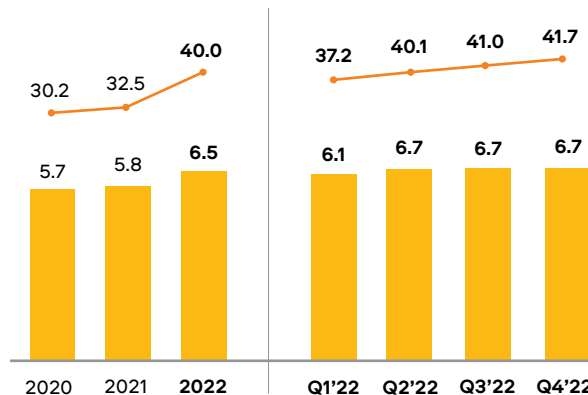


DUNHILL SHARE PERFORMANCE



■ Dunhill % Share of Market
 —●— Dunhill % Share of Premium Segment

PETER STUYVESANT SHARE PERFORMANCE



■ Peter Stuyvesant % Share of Market
 —●— Peter Stuyvesant % Share of Segment

Drive Value from Combustibles

Continuous Growth in Value-For-Money Segment

Our VFM portfolio continued to be a key growth driver for the Company in 2022, with a total of 1.0 ppt growth in share of market compared to the previous year.

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

Rothmans was restaged to a new progressive expression of the brand to drive growth.

Since its debut in 2020, KYO has established itself as the fastest-growing brand in the moderation space and expanded its range in the Fresh & Stimulation and Full Flavour segments in 2021. The brand debuted in 2020 with two Stock Keeping Units (SKUs), KYO Original and KYO Silver, which feature a charcoal filter. There was an addition of two SKUs in 2021, KYO Switch (Mint Capsule) and KYO Red (Full Flavour).

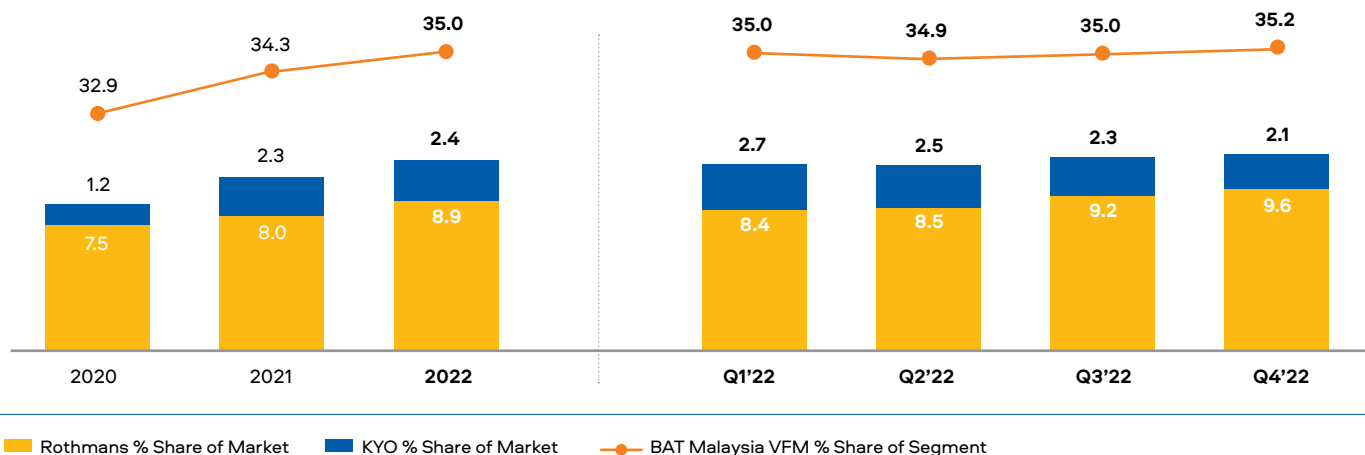
In 2022, the brand continued to build its credentials in the market through brand building activities.

Rothmans

KYO



ROTHMANS AND KYO SHARE PERFORMANCE



Ensure a Step Change in New Categories Performance

Reduced-Risk Products*

Our corporate purpose is to build A Better Tomorrow™ by reducing the health impact of our business by offering a greater choice of 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. Our ambition is to deliver long-term sustainable growth with a range of innovative and 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.

BAT Malaysia continued its transformation to a multicategory consumer goods business with the Malaysian launch of our flagship global Tobacco Heating Product (THP) brand, glo™. Our THP product features Advanced Heat Technology™, reducing toxicant emissions by 90%** and therefore giving adult consumers a choice to enjoy reduced-risk products.* With the new Hyper X2 model, users can also control the intensity and duration of their session with a dedicated Boost Button. glo™ uses viio™ tobacco sticks developed exclusively for glo™ by specialist tobacco blenders and flavourists that come in four different flavours, to provide consumers with the real taste of tobacco by heating not burning.



Find out more at www.discoverglo.com

Through glo™ and viio™, we intend to grow our non-combustible portfolio and then other new categories with respect to the regulatory environment. One such product that we plan to introduce in the future is Vuse, which is also backed by science-based regulations. Vuse is the first global carbon neutral vape which is designed with sustainability in mind and is a result of our focus on innovation. This will ensure that Malaysian consumers have access to more reduced-risk products.

We are encouraged by the Government's commitment to regulate the vape industry in Malaysia. We strongly urge the Government to adopt policies that are evidence-based and data-driven, to ensure that Malaysian vape users have access to reduced-risk products that are compliant with quality and safety standards. BAT Malaysia will strongly support any sensible, pragmatic regulations on vaping, in tandem with our purpose to build A Better Tomorrow™.



* Based on the weight of evidence and assuming a complete switch from cigarette smoking.

** Comparison of smoke from a scientific standard reference cigarette (approximately 9 mg tar) and emissions from glo™, in terms of the average of the nine harmful components the World Health Organisation recommends to reduce in cigarette smoke.

Disclaimer:

This product is not risk-free and contains nicotine, an addictive substance.

Simpler and Smarter Organisation



EMBRACING DIGITAL TRANSFORMATION

At BAT Malaysia, we recognise that change is an important driving element for us to achieve A Better Tomorrow™. Over the years, we have harnessed the power of digital transformation to improve our front-end business and provide better customer service as we understand that this transition is crucial in supporting us to keep up with the market's demands in digitalisation.

In 2022, we rolled out a new digital and online ordering platform that allows our retailers to order products, obtain product information and monitor their performance at any time, regardless of the hour, directly and seamlessly. The system is enhanced with the option of automated ordering/subscription whereby the platform allows for repeat fixed orders to be placed at regular intervals without any intervention/action required from retailers.

This helps our retailers to minimise instances of failure to order due to unforeseen circumstances, therefore ensuring product availability at all times. In addition, a new contact centre is established to support all of our retailers' requirements via calls and is also capable of taking orders, tracking deliveries and providing payment information. In 2023, we will be introducing this to an expanded number of our retail partners.

Our digital automation systems and analytics has enhanced our service level and enabled us to achieve effective partnerships through digital engagement as our partners can now enjoy greater flexibility. This is aligned with our global strategy of having a leaner, faster organisation.

OPTIMISING OUR SUPPLY CHAIN

Reducing Cost

In 2022, we optimised working capital level and operational cost through various initiatives.

- Transition from a prepaid to a postpaid excise model resulting in working capital reduction of RM106 million;
- Effective use of hedging to manage the Ringgit's fluctuation;
- Employed innovative negotiation techniques for the rental of new state offices;
- We changed to fleet leasing in 2022 and achieved reductions in capital expenditure; and
- Rigorous maintenance of equipment resulted in an increase in efficiency and reduction of waste by 3% compared to 2021.

Advancing Innovation

On 30 May 2022, BAT Malaysia held an ESG-focused Innovation Day, which was conducted physically and virtually. Among the highlights of the event were talks by four guest speakers on sustainable energy, sustainable Point of Sales Materials (POSM) and Recycling of End-of-Life POSM. There were also seven ESG-related booths to promote ESG and embed an ESG mindset among employees.

Finance Director's Review

REVENUE

Total revenue for BAT Malaysia declined slightly by 1.5% to RM2.60 billion compared to RM2.64 billion in 2021. The decrease was mainly due to a volume decrease of 2.0% when compared to 2021 as a result of the one-off benefit in volume observed during the route-to-market model transition that took place in 2021. Gross profit margin improved by 0.5% from 25.6% (RM675 million) in 2021 to 26.1% (RM678 million in 2022).

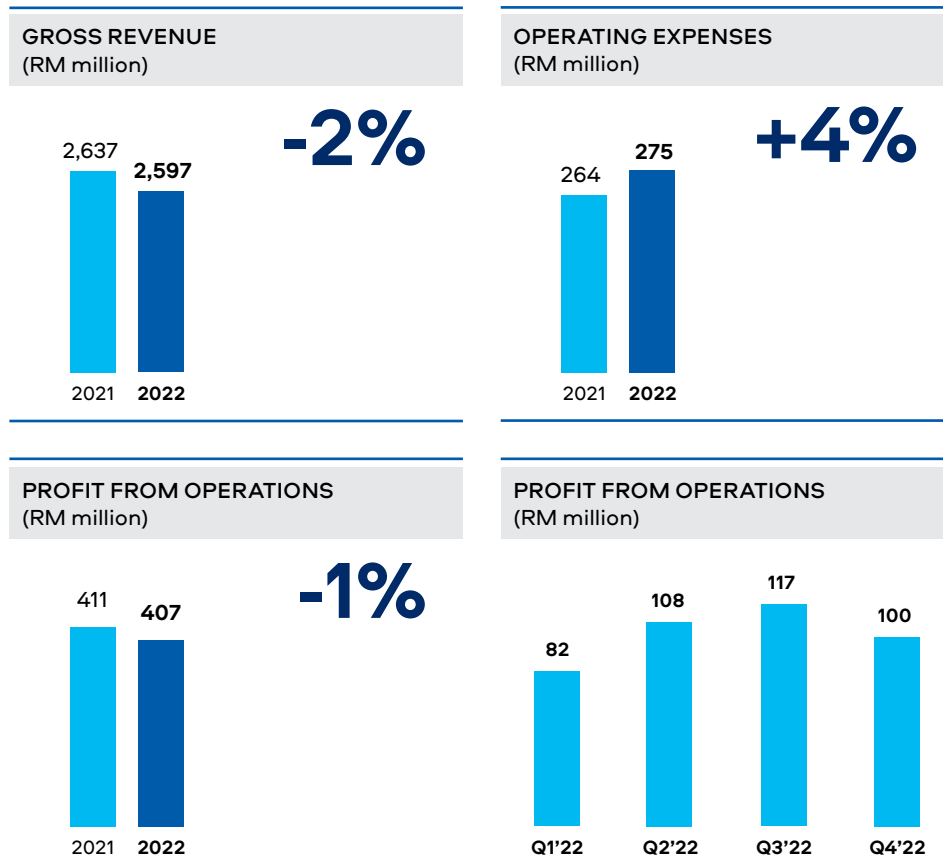
The Group's total market share was 0.8% lower in 2022, mainly attributed to the planned delisting of the Kent and Pall Mall brands during the year. In line with the downtrading trend observed in the market, our VFM brands – KYO and Rothmans – captured an additional 1.0% market share.

COST OF SALES

The Group's cost of sales decreased by 2.2% (RM44 million) in line with the lower sales due to the aforementioned one-off benefit from the implementation of the route-to-market model in 2021. The Group continued to drive cost optimisation initiatives across its value chain to deliver a competitive product cost, leveraging its robust supply chain model.

OPERATING EXPENSES

In 2022, the Group's operating expenses increased by 4.1% (RM11 million) to RM275 million, mainly driven by restructuring expenses. Marketing expenses increased marginally following efforts taken in preparation for the launch of the new tobacco heating product, glo™, in early 2023. The overall increase in cost was offset by the Group's sustained strategy to optimise spending despite operating under increased inflationary pressures.



RESTRUCTURING EXPENSES

The Group incurred RM18 million in 2022 in line with the next phase of our strategy to deliver a fit-for-growth organisation. The restructuring exercise led to a simplified organisational structure that will enable greater collaboration and effective decision-making as we enter a post-pandemic competitive market.

PROFIT FROM OPERATIONS

Profit from operations trended upwards in the first three quarters of 2022 with a decline in the final quarter due to the timing of marketing spend as we geared towards the launch of the tobacco heating product glo™ Hyper X2 in the first quarter of 2023. Despite the high-inflation environment, profit from operations registered a year-on-year slight decrease of 1.0% to RM407 million owing to continuous cost optimisation initiatives.

TAXATION

The average effective tax rate of the Group for the financial year ended 31 December 2022 was 32%. The increase in the average effective tax rate compared to the actual tax rate of 24% was mainly due to the Prosperity Tax that was imposed by the government in 2022.

DIVIDENDS

Despite the challenging environment, the Group remained committed to paying dividends at a level above 90% of its earnings. In 2022, the Group declared four quarterly interim dividends amounting to 88 sen per share, equivalent to a 96% total earnings payout for the year and a dividend yield of 8% based on the average share price in 2022.

DEBT STRUCTURE, WORKING CAPITAL AND LIQUIDITY

As at 31 December 2022, the Group had a total debt facility of RM850 million, maintained with several licensed financial institutions in Malaysia. The Group continued to utilise revolving credits and bank overdrafts to support its short-term working capital requirements. This flexible debt structure allowed the Group to borrow at optimum levels, thereby minimising financing costs and improving interest deductibility.

Finance Director's Review

At the end of 2022, the Group had RM695 million of revolving credit with a tenure of one month, compared to RM775 million in 2021. In 2022, cash from operations recorded an increase of 242% (RM342 million) as compared to 2021. The increase in cash from operations was largely attributed to improvements in working capital arising from the change in the excise duties payment model. Previously, excise duties were required to be paid when tax stamps were purchased. In 2022, as a result of intensive industry engagement, excise duties were paid only upon stock arrival at the Malaysian port, hence facilitating a lower requirement of upfront cash.

	2021 RM million	2022 RM million
Profit from Operations	411	407
Cash from Operations	141	483
Cash Conversion	34%	119%
Increase/(decrease) in cash and cash equivalents	(7)	(5)

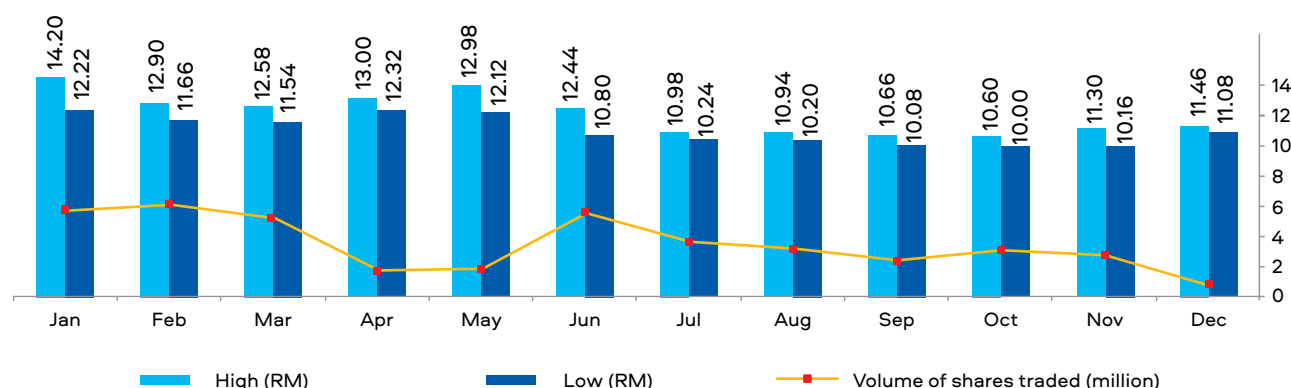
TREASURY

The Group's foreign currency exposure mainly arises from the purchase of finished goods. As part of the Group's treasury policy, foreign currency exposure is minimised by hedging the net exposure for the next 18 months, in line with the hedging period allowed under the Foreign Exchange Control guidelines enforced by Bank Negara Malaysia. The permitted range for the hedge ratio within the 18 months of the transaction date is 0% to 95%. The primary objective of the hedging strategy is to protect shareholder value by minimising the impact of foreign exchange rate fluctuations. This is achieved by layering the hedges monthly within the allowable boundaries set by Bank Negara Malaysia.

SHAREHOLDERS' RETURN

The share price of BAT Malaysia was mainly impacted by external factors such as the tobacco black market and the uncertainties surrounding the tobacco regulatory landscape. The share price was relatively stable in the first quarter of 2022 and subsequently saw a downward slide in the second and third quarters following intensified dialogues and press releases regarding the potential tightening of tobacco regulations. After the General Election was held in November 2022, the share price reflected an upward trend. Market capitalisation for the Group closed at RM3.2 billion in 2022. The annual dividend yield that the Group generated was estimated at 8%. The Group continues to ensure that shareholders' return is maximised through our A Better Tomorrow™ strategy and growing into a multicategory business.

BAT MALAYSIA SHARE PERFORMANCE 2022



Finance Director's Review

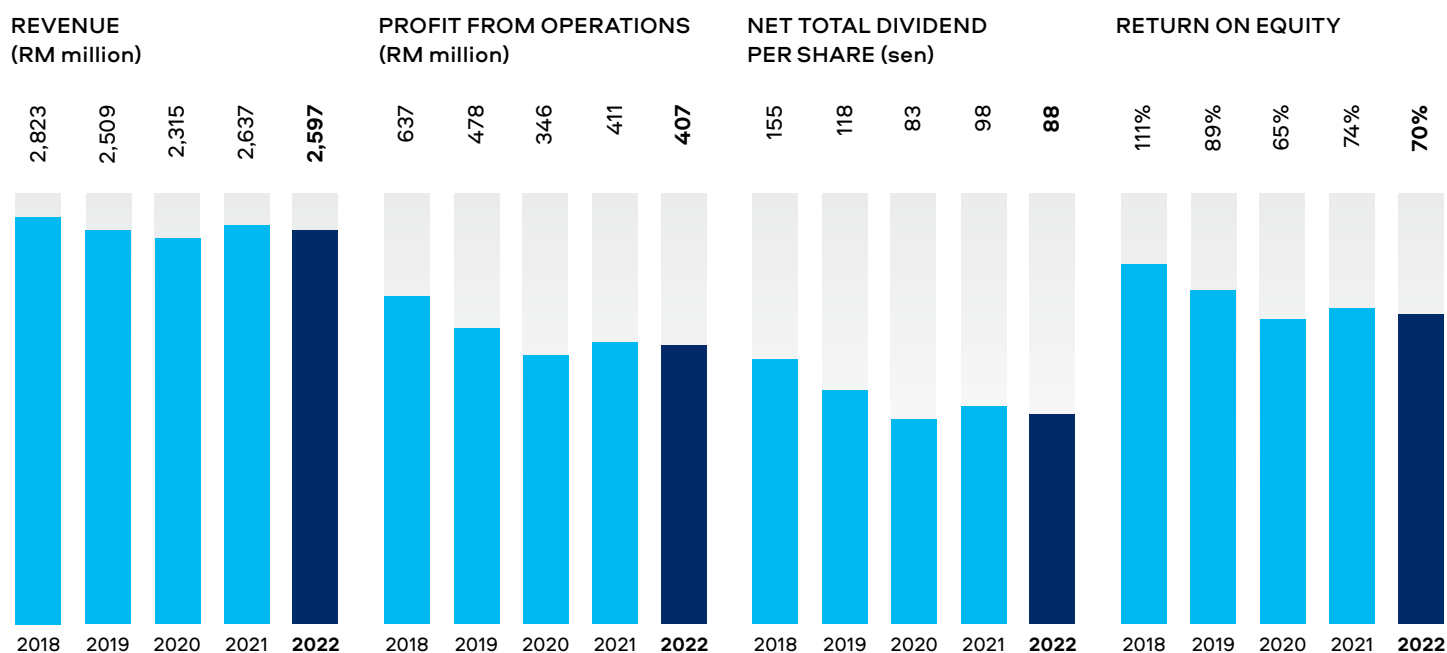
Share Performance	2016	2017	2018	2019	2020	2021	2022
Net Dividends	2.32	1.69	1.55	1.18	0.83	0.98	0.88
Capital Gain/Loss	(11.90)	(4.18)	(3.92)	(21.00)	(1.00)	(0.10)	(2.76)
Annual Shareholders' Return	(9.58)	(2.49)	(2.37)	(19.82)	(0.17)	0.88	(1.88)

OUTLOOK

The Group will continue to focus on driving its ambition of A Better Tomorrow™ in 2023. As we move into an economic environment that will see more moderate growth as a result of inflationary pressures and tighter monetary policy, we are cognisant that consumer spending power will be affected. Similarly, the Group will also be impacted by higher inflation and as such, we will continue to be diligent in optimising operational costs.

The Group remains focused on tobacco harm reduction and will continue to introduce innovative products, offering a choice of reduced-risk alternatives to adult smokers. In this context, the Group welcomes the government's announcement during the retabling of Budget 2023 in February 2023 that it would regulate the vapour market. We will continue to urge the government to establish a balanced science- and evidence-based regulatory framework for vapour products. We also welcome other initiatives outlined under Budget 2023 signalling the government's commitment to combating the black market.

FIVE-YEAR PERFORMANCE HISTORY



Finance Director's Review

FIVE-YEAR PERFORMANCE HIGHLIGHTS

2018

It was a stabilising year for BAT Malaysia after consecutive years of double-digit decline. Malaysia saw a historic changeover in government in May 2018, resulting in visible policy changes. The government announced the abolishment of GST and reintroduced SST on 1 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 prices.

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, the legal tobacco industry was greatly impacted, with the Group registering a 25% decline in its operating profit. The Group undertook aggressive cost rationalisation and restructuring measures to achieve a sustainable cost base and profitability level for the future. However, urgent structural reform was needed in order to secure a sustainable tobacco framework for the industry and legal tobacco companies.

2020

This was an unprecedented year marked by the COVID-19 global pandemic. The tobacco black market and illegal vaping incidences continued to be high at 70% of the total nicotine market. Despite these external challenges, the Group was resilient and showed strong signs of recovery quarter-on-quarter. Dunhill, our flagship brand, gained share of segment, increasing by 2.2% 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 a 2.8% 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%. It was encouraging to see the government's efforts in setting regulations and enforcement in curbing illegal cigarettes via the Budget 2021 announcement.

2021

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

2022

2022 saw Malaysia easing out of the COVID-19 global pandemic as the economy showed signs of gradual recovery. Businesses continued to find their footing in the post-pandemic high-inflationary environment while adjusting to the shifts in consumption patterns. In tandem with the market's downtrading trend, the Group's VFM brands – KYO and Rothmans – captured an additional 1% market share. Although the legal tobacco industry's premium segment declined by 1% during the year, Dunhill continued to cement its strong foothold in the premium segment as the brand secured growth of 1.1% share of segment. The Group's market share contracted by 0.8% when compared to last year following a strategic exercise to delist the Pall Mall and Kent brands in the second quarter of this year as part of the portfolio simplification. This allowed the Group to intensify its focus on business portfolio expansion of reduced-risk* products with the launch of glo™ in the first quarter of 2023. We are also encouraged by the decline of the illicit cigarettes trade from 57.7% in 2021 to 56.6% in the current year. The Group is in full support of the Malaysian government's stance to reduce the levels of the tobacco black market and urges the government to consider science- and evidence-based regulations to legalise the vapour market.

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

Sustainability

Sustainability is at the forefront of our business as we aim to create long-term value for our stakeholders through a holistic approach. We ensure that we include issues that are most material to our stakeholders and implement the right strategies to capture opportunities that will drive sustainable business growth while overcoming risks and challenges effectively.

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• Attracting & Retaining The Best Talent	
• Workforce Engagement	
• Recognising & Rewarding Talent	
• Giving Back to Communities	





H Harm Reduction

BAT Malaysia has a clear purpose: to build A Better Tomorrow™ by reducing the health impact of our business. That is why we are committed to provide adult smokers with reduced-risk* alternatives backed by science and tested to meet or exceed industry-leading standards.



We are committed to:

Providing consumers with reduced-risk alternatives such as vapour products

Raising industry standards for vapour products within a regulated marketplace

Harnessing world-leading research

Supporting the establishment of appropriate regulations for reduced-risk products such as vapour products

The Key Enablers for Harm Reduction

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



Consumer choice

Adult smokers are most likely to switch to reduced-risk alternatives when they find products that meet their preferences. That is why we are committed to offer a multicategory portfolio of New Category products tailored to meet their preferences.



World-class science

World-class science is crucial to providing a robust evidence base to substantiate the role of New Category products in tobacco harm reduction.

For 60 years, R&D has been a critical part of our business and we have invested more than £300 million a year in R&D to deliver innovations that satisfy consumer preferences.



Testing our Products: Our Nine-Step Risk Assessment Framework

Most alternative tobacco and nicotine products are relatively new to the market, which means that in most cases, there is a lack of long-term data needed to demonstrate the overall impact on public health.

That is why it is necessary to take a 'weight of evidence' approach. Drawing on work by the U.S. Institute of Medicine, BAT has developed a nine-step risk assessment framework that evaluates the emissions, exposure and risk profile of our New Category products compared to other tobacco products.



Standards and regulations

Access and availability of reduced-risk' products depend on having the right regulatory and market conditions along with high standards and responsible industry practices.

We hold ourselves to high standards and hope some of these will become industry benchmarks and the basis for future regulation. So we share our approach, information and expertise with industry groups, standards bodies and regulators.

Highlights

- Completed and published results from the landmark one-year, real-world study of our Tobacco Heating Product, glo™.
- Published an important review of the behavioural, chemical, toxicological and clinical studies of glo™ and the potential for bridging existing data to new product iterations.
- Completed and published the results from our pivotal cross-sectional study of our Modern Oral nicotine pouches, Velo.
- Completed an innovative cross-sectional study of our Vapour product, Vuse. Results to be published in 2023.

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

E Environmental

BAT Malaysia is committed to reducing the environmental impact of our business operations and transitioning to a low-carbon portfolio. Championing environmental excellence remains core to our purpose of building A Better Tomorrow™ to contribute to a thriving economy that is sustainable for the planet and people.



Climate Change

Target:

NET ZERO BY 2050*

50% CO₂ EMISSIONS REDUCTION BY 2030*

CARBON NEUTRAL OPERATIONS BY 2030**

50% RENEWABLE ENERGY BY 2025* (Updated Target)**

- Investing in solar power systems to generate renewable energy on-site for factory and warehouse operations.
- Investing in renewable energy projects within Malaysia managed by the i-REC Standard Foundation.
- Transforming the entire Company car fleet to hybrid or EEV (energy-efficient vehicle) models.
- Collaborating with renowned original equipment manufacturers for the use of fully electric vehicles.
- Partnering with Shell Malaysia to decarbonise the Company's fleet emissions.

* Across our value chain - comprising Scope 1, Scope 2 and Scope 3.

** Comprising Scope 1 and Scope 2 GHG emissions.

*** In 2022 BAT p.l.c. having achieved its 2025 target to increase renewable energy usage to 30%, has now increased its target to achieve 50% renewable energy use by 2050.

Water

Target:

35% REDUCTION IN WATER WITHDRAWN BY 2025 VS 2017 BASELINE

100% OF OPERATION SITE ALLIANCE FOR WATER STEWARDSHIP (AWS) CERTIFIED BY 2025

- In 2022 BAT Malaysia achieved -14% reduction in water withdrawn.
- Preparing for AWS certification for Johor Bharu factory by 2023.

Circular Economy

Target:

100% PACKAGING REUSABLE, RECYCLABLE OR COMPOSTABLE BY 2025# (Updated Target)

-25% REDUCTION IN WASTE GENERATED BY 2025 (Updated Target)

<1% WASTE TO LANDFILL BY 2025 (Updated Target)

90% RECYCLING OF WASTE GENERATED BY 2050 (Updated Target)

- Preparing to implement a project to convert paper inner bundling of its packaging to recyclable paper by 2023 as part of a global initiative.
- In 2022 BAT Malaysia achieved -13% reduction in waste generated.
- In 2022 BAT Malaysia achieved zero waste to landfill.
- In 2022 BAT Malaysia achieved 90% recycling of waste generated.

BAT p.l.c. goals for 2025 include further eliminating plastic in our packaging, and increasing the recycle content of plastic packaging used. This is alongside effort to minimise packaging overall, and the aim for all our packaging to be reusable, recyclable or compostable by 2025.

Environmental

BAT Malaysia's EHS management system is in accordance with the principles of Malaysia's Environmental Quality Act 1974 and BAT p.l.c.'s Global EHS Policy.* The policy is supported by a holistic EHS management system that is benchmarked against international standards such as the ISO14001.



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

We utilise the CR360 system to efficiently collect, manage and communicate our environmental data and information.

Under BAT Malaysia's EHS management system, we will:

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

Environmental

CLIMATE CHANGE

BAT Malaysia has established targets to achieve carbon neutrality in Scopes 1 and 2 of its operations by 2030 and net zero carbon emissions across its value chain by 2050, in line with BAT p.l.c.'s roadmap to net zero. We are pleased to report that BAT p.l.c.'s Science-Based Targets (SBTs), which were approved by the Science-Based Targets initiative (SBTi)* in July 2022, are in line with a 1.5°C warming pathway.

In 2022, BAT p.l.c. rolled out its Low-Carbon Transition Plan to deepen its commitment to climate action and cutting carbon emissions across its operations. The Low-Carbon Transition Plan* communicates BAT p.l.c.'s aim to:

- Align its business model with a world in which the rise in global average temperature should be limited to no more than 1.5°C above pre-industrial levels.
- Contribute to a thriving economy that works for people and the planet in the long term.



For more information on BAT p.l.c.'s Low-Carbon Transition Plan, please refer to www.bat.com.

Our Path to Net Zero by 2050

Our Climate Goals



50% Scopes 1, 2 and 3 GHG emissions by 2030*



Net Zero value chain by 2050



50% renewable energy in direct energy by 2030



Carbon neutral in Scopes 1 and 2 operations by 2030



20% of suppliers by spend to set Science-Based Targets by 2025

2050

Net Zero value chain

2030

Carbon neutral in Scopes 1 and 2 operations

2025

20% of suppliers by spend to set Science-Based Targets

50% renewable energy in direct energy

-50% Scopes 1, 2 and 3 GHG emissions

* Compared to 2020 baseline. Comprises 50% reduction in Scopes 1 & 2 and 50% reduction in Scope 3 GHG emissions. Scope 3 emission target includes purchased goods and services, upstream transportation and distribution, use of sold products and end-of-life treatment of sold products, which collectively comprised >90% of Scope 3 emission in 2020.

Environmental

To accelerate our journey to carbon neutrality in Scopes 1 and 2 by 2030, BAT Malaysia has established a clear ambition and absolute targets to reduce carbon emissions throughout our business. In 2022, we continued to implement green initiatives to achieve our environmental targets. We are pleased to report that our factory in Johor Bahru (JB) achieved carbon neutrality in the year under review.

Our greenhouse gas (GHG) emissions primarily come from our factory, fleet and purchased electricity consumption. In 2022, we successfully reduced our carbon emissions by 23% compared to the year before. The reduction can be mainly attributed to effective mitigating measures such as our restructured business model and energy-saving campaigns.

BAT Malaysia successfully reduced our carbon emissions by **23%**

1 Scope 1:

Direct GHG emissions from our Company fleet.

GHG EMISSIONS BY ENERGY TYPE FOR FY2022 (tCO₂e)

● Commercial - Petrol consumption

1,026

Total
1,026

2 Scope 2:

Indirect GHG emissions from purchased electricity consumption at our factory, site offices and warehouse.

GHG EMISSIONS FROM PURCHASED ELECTRICITY CONSUMPTION (tCO₂e)

● Site Office & Warehouse
● JB Factory

500

82

Total
582

3 Scope 3:

Other indirect GHG emissions from the supply chain activities of our products and business travel.

TOTAL SCOPE 3 EMISSIONS (tCO₂e)

● Commercial
● Factory Operations (Johor Bahru)*

505.86

10.71

Total
516.57
tCO₂e

* Scope 3 emissions include waste, business travel and finished goods transportation.

BAT MALAYSIA'S GHG EMISSIONS FOR THREE YEARS (tCO₂e)

● Scope 1
● Scope 2

1,225

715

2020

1,072

665

2021

1,026

314

2022

BAT MALAYSIA'S GHG EMISSIONS INTENSITY FOR THREE YEARS (tCO₂e/MILLION CIGARETTES)

● Commercial
● JB Factory

0.51

0.45

0.33

2020

2021

2022

1.28

0.20

0.91

2020

2021

2022

Commercial

Energy intensity calculation is based on the Company's energy consumption from its supply chain operations and marketing divided by the total sales volume. Total energy used was from fuel and electricity consumption and inclusive of direct and indirect energy.

Factory Operations

The intensity calculation is based on the total energy used in the factory operations divided by the total production volume. Total energy used was from fuel and electricity consumption and inclusive of direct and indirect energy. In 2022, GHG emissions intensity was much higher as manufacturing activities normalised post pandemic.

Environmental

ENERGY CONSUMPTION OUTSIDE
OF OUR OWN SITES AND OFFICES
FOR FY2022 (GIGAJOULES)

Finished goods transportation via sea,
road and air freight:

Commercial

6,560

Factory Operations:

47

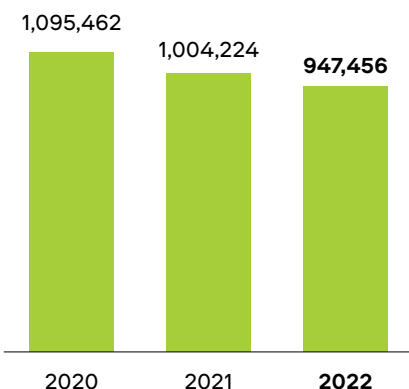
Total **6,607**

ENERGY CONSUMPTION BY SOURCE
FOR FY2022 (GIGAJOULES)

Total Direct Energy **18,156**

Vehicle Fuel **14,525**

Electricity **3,631**

ELECTRICITY CONSUMPTION
FOR THREE YEARS (kWh)

ENERGY

We successfully reduced energy consumption to lower carbon emissions by implementing various energy-saving initiatives. These initiatives included installing LED lights and timers for all light fixtures and upgrading old office equipment and facilities to energy-saving units.

We also track energy consumption outside our own sites and offices, such as business travel and transportation of goods via sea, road and air freight. Our Head Office attained its LEED (Leadership in Energy and Environmental Design) certification in 2019, which underlined our commitment to minimising the environmental impact of our operations.

In 2022, our energy consumption reduced by 694 GJ compared to the previous year. This was attributed to the shift to clean energy by changing 80% of our Company fleet to hybrid vehicles. We also commenced on-site renewable energy generation through our solar power system at the Johor Bahru factory and purchased Renewable Energy Certificates (i-RECs) to reduce our electricity emissions at our commercial office. The benefit of on-site renewable energy generation realised a saving of 40% in purchased electricity cost within the first six months of commencement.

Solar energy
generated:

593 MWh

Electricity
sold to national
grid:

260 MWh

Environmental

WATER



Our operations mostly consume water supplied by local municipality, except for our factory in Johor Bahru, which was installed with rainwater harvesting system. Our water conservation initiatives include increasing consumption of reusable water such as rainwater and reducing water wastage by identifying and fixing all leakages.

Due to the nature of our business, our operations are not water intensive, and we do not operate in water-stressed areas. To minimise the environmental impact of our operations, we ensure

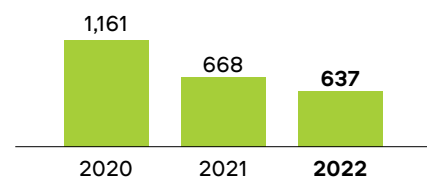
that our wastewater is discharged via public waterways and local municipal facilities, in compliance with local regulatory requirements. In 2022, our total water withdrawn was 4% higher than last year due to business normalising post pandemic.

As such, our operations do not in any way impact the six sites designated under the Ramsar List of Wetlands of International Importance in Malaysia. These wetlands are part of the Ramsar Convention, an international treaty for the Conservation and Sustainable Utilisation of Wetlands.

WATER WITHDRAWAL BY SOURCE FOR THREE YEARS (m³)

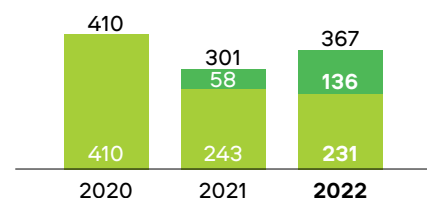
COMMERCIAL

● Municipal Water



FACTORY OPERATIONS (JOHOR BAHRU)

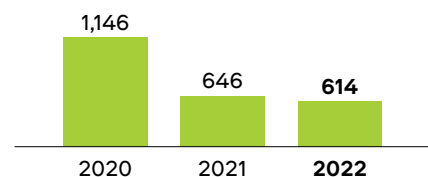
● Municipal Water
● Rainwater



WATER DISCHARGE BY DESTINATION (m³)

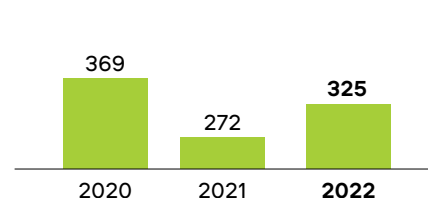
COMMERCIAL

● Municipal Water

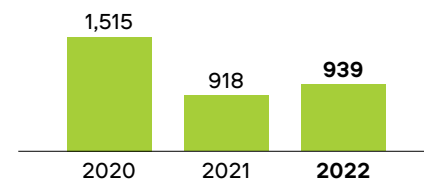


FACTORY OPERATIONS (JOHOR BAHRU)

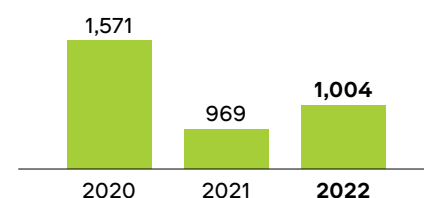
● Municipal Water



TOTAL WATER DISCHARGE FOR THREE YEARS (m³)



TOTAL WATER WITHDRAWN FOR THREE YEARS (m³)



Environmental

CIRCULAR ECONOMY

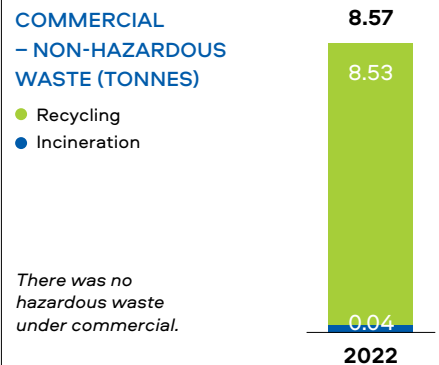
BAT Malaysia is committed to using fewer resources, creating less waste, enabling reuse and recycling, and managing our waste in a responsible manner.

We will intensify our effort to ensure <1% waste to landfill and 90% recycling of waste and ensuring 100% of packaging to be reusable, recyclable and compostable by 2025. Our operational unit had achieved zero waste to landfill for 2022 whereby the non-recycle waste was disposed via incineration process approved by DoE.

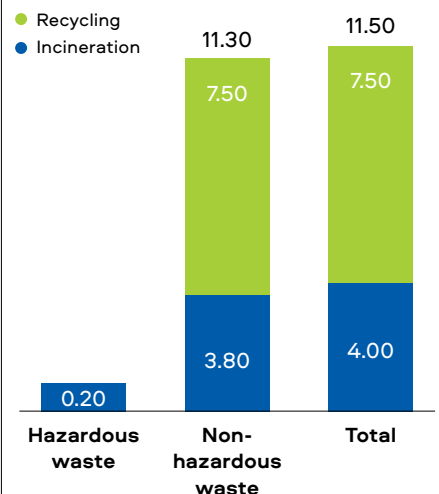
We comply with all applicable environmental regulations set by the Department of Environment (DoE) in managing our waste. This includes appointing licensed contractors certified by DoE to dispose our hazardous waste while non-recyclable waste is sent for incineration. In 2022, our total waste generation was 20% higher than last year due to business normalising post pandemic. We recorded no fines or non-monetary sanctions for non-compliance with environmental law/regulations.

WASTE BY TYPE AND DISPOSAL
FOR FY2022 (TONNES)COMMERCIAL
– NON-HAZARDOUS
WASTE (TONNES)

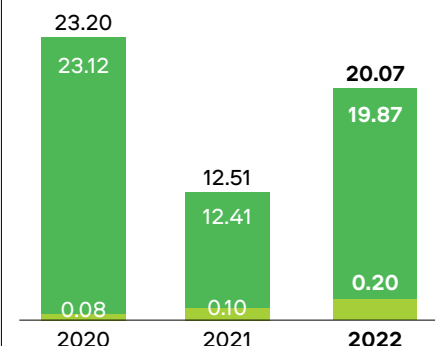
- Recycling
- Incineration

FACTORY OPERATIONS
(JOHOR BAHRU)

- Recycling
- Incineration

WASTE GENERATED FOR THREE
YEARS (TONNES)

- Hazardous
- Non-hazardous



Environmental

TASK FORCE ON CLIMATE-RELATED FINANCIAL DISCLOSURES (TCFD)

As climate change impacts worsen, climate risks are becoming more complicated, with potential impacts on properties and assets, as well as disruptions to supply chains. Our business depends on natural resources that are directly impacted by extreme weather events. We acknowledge that it is crucial to address climate risks and opportunities in our business operations and value chain to ensure the sustainability of our business. A summary of BAT p.l.c.'s reporting is set out below.

In 2022, climate change was identified as a crucial focus area in BAT p.l.c.'s materiality assessment, reflecting how important it is to both our business and stakeholders. In responding to climate change, BAT p.l.c. rolled out a Low-Carbon Transition Plan and aligned the reporting of climate-related matters with the recommended disclosures of the Task Force on Climate-related Financial Disclosures (TCFD).

BAT p.l.c. has taken a phased approach to integrate TCFD into its risk management, including conducting a climate-related gap analysis to identify key areas for improvement. In addition, appropriate climate scenarios were selected for initial high-level, scenario-based modelling of material risks and business impacts, to prioritise BAT p.l.c.'s climate-related risks and opportunities. Further to that, BAT p.l.c. undertook detailed financial modelling to better understand the timing and materiality of the key risks and opportunities. To assess the resilience of its strategy, BAT p.l.c. took into consideration two climate-related scenarios.

BAT p.l.c. ensures that its Board of Directors has oversight on climate-related matters including climate-related risks and opportunities. At the management level, the assessment and management of climate-related risks is embedded across relevant business areas at global, regional and end market levels with appropriate management oversight. This includes linking individual performance objectives of relevant employees to remuneration at Management Board level to managers at Group, regional and local level. Their responsibilities include delivering against ESG-and climate-related priorities and metrics.

BAT p.l.c. has also implemented other strategic measures to mitigate climate-related risks and meet its ambitions for carbon neutrality. These measures are focused on reducing the Company's impact on the environment, addressing climate-related risks and opportunities, and building climate resilience for the future. To further strengthen its climate strategy, BAT p.l.c. has in 2021 incorporated internal carbon pricing (ICP) into its financial appraisal to facilitate delivery against its glidepaths.

BAT Malaysia will remain guided by BAT p.l.c.'s TCFD report in disclosing our climate – related matters.

BAT p.l.c.'s TCFD REPORTING AT A GLANCE

Summary of our response

Governance:

Disclose the organisation's governance around climate-related issues and opportunities.

a) Describe the Board's oversight of climate-related risks and opportunities.

BAT p.l.c.'s Board has oversight of climate-related risks and opportunities. The Board approves the Group's environmental targets and reviews environment strategy, targets and performance twice per year and reviews the risk register, which includes climate-related risks, annually. In 2022, the Board approved a revised version of the Environment Policy. The BAT p.l.c.'s Audit Committee reviews risk register twice per year and oversees the Group's approach to TCFD reporting.

b) Describe management's role in assessing and managing climate-related risks and opportunities.

Management is responsible for identifying and assessing risks including climate-related risks. Mitigation plans are required to be in place to manage the risks identified and progress against those plans is monitored.



Environmental

Strategy:

Disclose the actual and potential impacts of climate-related risks and opportunities on the organisation's businesses, strategy, and financial planning where such information is material.

a) Describe the climate-related risks and opportunities the organisation has identified over the short, medium, and long term.

BAT p.l.c. has identified 10 climate-related risks and opportunities. For each, the level of likelihood and impact has been analysed across three time horizons: short-term (2023-2027), medium-term (2028-2037) and longer term (2038-2050).

b) Describe the impact of climate-related risks and opportunities on the organisation's businesses, strategy, and financial planning.

BAT p.l.c. has assessed the impact of these risks and opportunities on our strategy and financial planning. The results show that, while there are financial risks that would need to be managed, these are not substantive enough to require a material change to our business model.

c) Describe the resilience of the organisation's strategy, taking into consideration different climate-related scenarios, including a 2°C or lower scenario.

BAT p.l.c. has conducted an assessment of the resilience of its strategy, taking into consideration two climate-related scenarios: sustainable transition (based on a global temperature increase scenario of 1.5°C) and climate change inaction (based on a global temperature increase scenario of 3°C or more).

Risk management:

Disclose how the organisation identifies, assesses, and manages climate-related risks.

a) Describe the organisation's processes for identifying and assessing climate-related risks.

Direct reporting business units and functions identify risks and opportunities, including climate-related physical risks, which are captured on risk registers and assessed against the materiality thresholds, impact and likelihood defined by BAT p.l.c.'s Risk Management Framework. Group KPIs are set to identify climate-related risks (where relevant).

b) Describe the organisation's processes for managing climate-related risks.

Mitigation plans are required to be in place to manage risks, including climate-risks identified, and progress against those plans is monitored. Decisions on how to manage the risk are based on a variety of considerations, including risk score, our ability to influence or control the risk and cost and effectiveness of mitigation.

c) Describe how processes for identifying, assessing, and managing climate-related risks are integrated into the organisation's overall risk management.

BAT p.l.c.'s processes for identifying, assessing, and managing climate-related risks are integrated into the Risk Management Framework. This includes regular reviews of the risk register by the Risk Management Committee, chaired by the Finance and Transformation Director. The risk register is also reviewed annually by the Board and biannually by Audit Committee.

Metrics and targets:

Disclose the metrics and targets used to assess and manage relevant climate-related risks and opportunities where such information is material.

a) Disclose the metrics used by the organisation to assess climate-related risks and opportunities in line with its strategy and risk management process.

BAT p.l.c. has clearly defined metrics for each of the ESG priority areas, including climate change, against which we report on our performance and progress each year.

b) Disclose Scope 1, Scope 2, and, if appropriate, Scope 3 greenhouse gas (GHG) emissions, and the related risks.

We disclose Scope 1, Scope 2 and Scope 3 emissions and the related risks in our reporting.

c) Describe the targets used by the organisation to manage climate-related risks and opportunities and performance against targets.

Our targets to manage climate-related risks and opportunities include targets to reduce Scope 1, 2 and 3 GHG emissions by 50% by 2030 (vs a 2020 baseline)¹ and to reach Net Zero carbon emissions across our value chain by 2050 at the latest. These are supported by a range of other environmental targets against which we report our performance and progress each year.



For more information on BAT p.l.c.'s TCFD report, please refer to the TCFD Reporting section from pages 70 to 81 of BAT p.l.c.'s Annual Report and Form 20-F 2022.

¹. Compared to 2020 baseline. Comprises 50% reduction in Scope 1 and 2 and 0% reduction in Scope 3 emissions. Where Scope 3 emissions target includes purchased goods and services, upstream transportation and distribution, use of sold products and end-of-life treatment of sold product, which collectively comprised >90% of Scope 3 emissions in 2020.

S Social

BAT Malaysia's social pillar relates to our workforce and the communities we operate in. Through key learnings and consistent execution, we have identified six vital aspects for our workforce:



WORKFORCE

- ▶ Accelerating Tomorrow's Leaders
- ▶ Diversity & Inclusion (D&I)
- ▶ Attracting & Retaining the Best Talent
- ▶ Workforce Engagement
- ▶ Recognising & Rewarding Talent
- ▶ Giving Back To Communities

ACCELERATING TOMORROW'S LEADERS

BAT Malaysia is realising the purpose of building A Better Tomorrow™ by inculcating our workplace ethos – Bold, Fast, Empowered, Diverse and Responsible. Staying steadfast to these qualities will nurture a future-ready mindset and contribute to the organisation's long-term value.

We are BOLD

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

We are FAST

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

We are EMPOWERED

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

We are DIVERSE

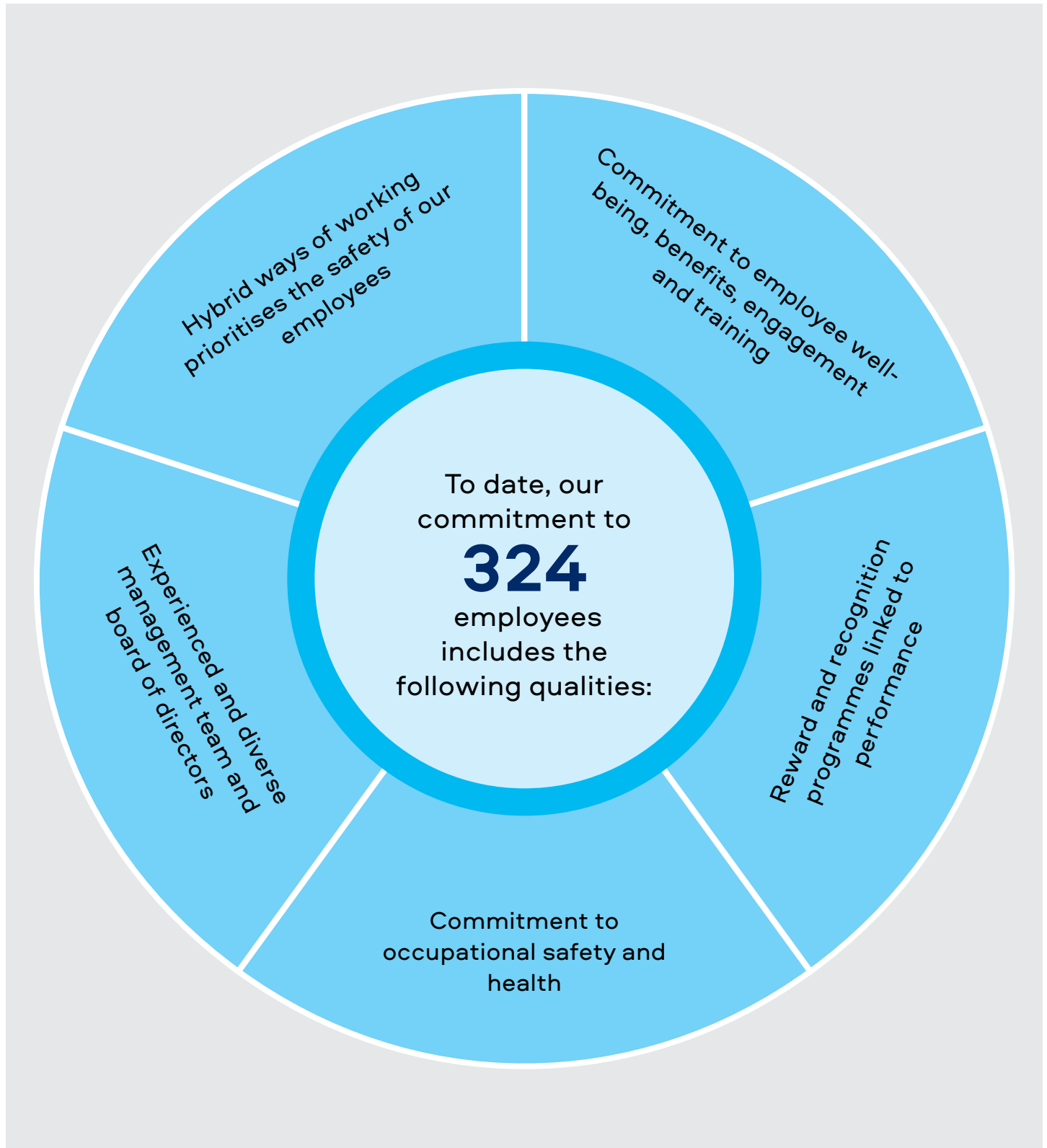
- Value different perspectives
- Build on each others' ideas, knowledge and experiences
- Challenge ourselves to be open-minded recognising unconscious bias

We are RESPONSIBLE

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

This philosophy is inculcated across our workforce including the whole employment journey from before a talent begins his or her first day with us right until the departure of an employee. The same guide is applied in attracting, retaining as well as contributing to the Malaysian talent pool.

Social



Social

In a dynamic organisation, leadership development equates to long-term planning and a sustainable business. Leadership development in BAT Malaysia is heavily weighted as it helps us attain a high-performance culture. We have invested in various interventions to accelerate talent and leaders of tomorrow including development and upskilling programmes.

Our leadership programmes are strategically and effectively structured according to:

LEAP

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



Leadership Training

Our programmes are carefully curated to further sharpen leadership capabilities and acumen such as Leading Self, Leading Teams, Made@BAT, Gearing Up for Global Leadership and Women in Leadership. We successfully piloted an outside-in mentoring programme in 2021 for female talents in the organisation and have decided to repeat the process due to the strong responses.

Global Graduate Programme

Every year, we select top-notch talents who have proven their mettle to be part of the 18-month Global Graduate Programme. The programme gives talents the exposure of the different aspects of our business and shape young talents to be the future leaders of BAT Malaysia.



Social

**The GRID**

Our one-stop digital learning platform consist of learning content that caters to various development needs. This interactive platform operates on an on-demand learning interface and enables users to access learning contents at their convenience. The year under review saw an average 74% usage rate with over 270 active users. Approximately 6,500 learning hours have been spent on The GRID in 2022.

**Functional Learning Huddles**

We rolled out Functional Learning Huddles in 2021 to provide a conducive learning platform for employees to learn from each other within their functions and to promote a learning culture within the organisation. We continued this best practice in 2022.

**Commercial Capabilities Upskilling**

Our National Sales Team has a crucial role in our workforce and is provided with training modules that are skewed towards our new route-to-market model. The team is trained in new ways of working and commercial capabilities upskilling, digital capabilities which includes technology, internal systems fluency and data insights. Out of the sales scope of work, they are also trained in prioritised areas such as effective data management, organisational and management skills to ensure we are able to continuously meet customers' evolving needs.

Social

The general workforce is also deeply involved in training sessions as we continue to invest in talents and their capabilities.

In 2022, each employee received an average of 23 hours of training. The total training hours received are recorded as follows:

2022

324

Total number of
employees

7,236

Total number of
training hours
(Virtual/Face-
to-face + Self
Directed)

23

Average
Training
Hours Per
Employee



DIVERSITY AND INCLUSION (D&I)

D&I is entrenched across our organisation and is driven by functional champions and leads. We are proud to note that our commitment to D&I has resulted in us being recognised as the first tobacco company to globally achieve both the National Equality Standard (NES) and the Global Equality Standard (GES). These stamps of approval are undoubtedly a testament to our future-fit D&I strategy and reassures that we are on the right track in focusing on mental health and wellbeing as well as the development of D&I capabilities across the organisation.



Feedback of our employees on the commercial training.

WHAT YOUR "COLLEAGUES" SAY ABOUT CM1

Jin Chua
Demand Planning Manager
"Jin has opened my eyes to the endless possibilities of digital marketing. The content curated is very relevant with scenarios and examples of how currently existing companies have used digital marketing to great success. The CM1 learning experience has also been excellent, the sessions are specifically tailored to you, presented in an easy to digest manner and you get to decide when to start the session so you don't get interrupted. I'd recommend to anyone interested in learning and developing new digital marketing skills."

Matthew Koch
Senior Commercial Finance Manager
"So far, I have enjoyed the Digital Marketing (Basics) and Customer Insights topics. Although a lot of the content is relatively new to me, I have been finding the lessons very interesting and easy to follow, including regular knowledge checks to solidify your understanding. I'm looking forward to the future sessions, and very excited about the opportunities to apply these new skills as we continue on our journey to becoming a multi-generally company!"

Jahanzeb Talat
Digital Analytics Executive
"As the nature of work continues to change rapidly, CM1 helps us to upskill, reskill and revolutionise the traditional ways of working. It can enable us to understand digital, harness digital disruption, and prepare us for a digital future. Its enriched offerings can benefit us to rethink our marketing strategy across brands and value creation through the lens of digital, and change the competitive game."



We celebrated International Women's Day on 8 March 2022 by inviting BAT women leaders and external speakers to share on how diversity and inclusion (D&I) can boost business growth. Participants learned how to manage a multi-generational workforce, embed a culture of celebrating D&I, and address D&I issues as well as key enablers in driving the D&I agenda in local organisations.

In 2022, our employees also had the opportunity to engage with our Regional Leadership Team during a live chat session. Our senior regional leaders visited BAT Malaysia's office and shared their insights and experiences to create a more inclusive environment.

Social

Non-discrimination

The Respect in the Workplace section of our Standards of Business Conduct is of utmost priority. It underlines our commitment to ensuring that all colleagues and business partners are treated with inclusivity, dignity and respect. To steer away from any discrimination practices, we have specific provisions to promote equality and diversity, as well as preventing harassment and bullying. The Standards of Business Conduct highlights the Group Whistleblowing Procedure that serves as a grievance mechanism for our employees to report on any discriminatory incidents without fear of reprisals or repercussions. In the year under review, there were zero reported cases of discrimination.

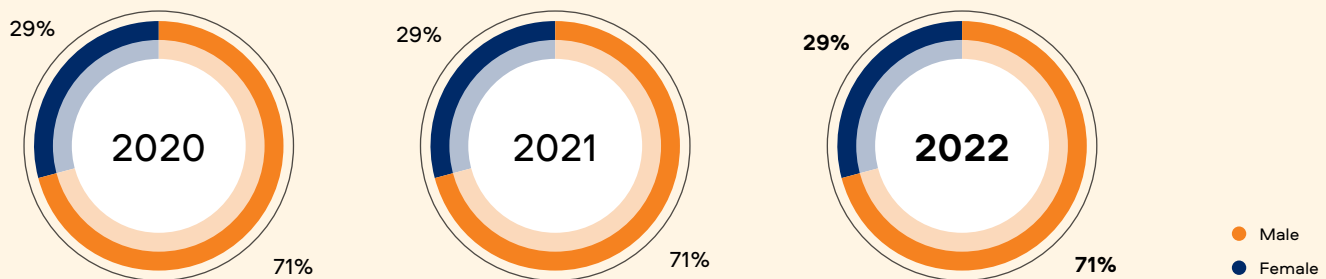


For more information on the Group's Standards of Business Conduct and Group Whistleblowing Procedure, please refer to the Corporate Governance Overview Statement on page 94.

Diversity on Our Board

Advocating female leadership in the organisation is a D&I strategy that we highly value. This is clearly demonstrated in BAT Malaysia whereby 29% of our Board Members are women.

PERCENTAGE OF BOARD MEMBERS BY GENDER (%)

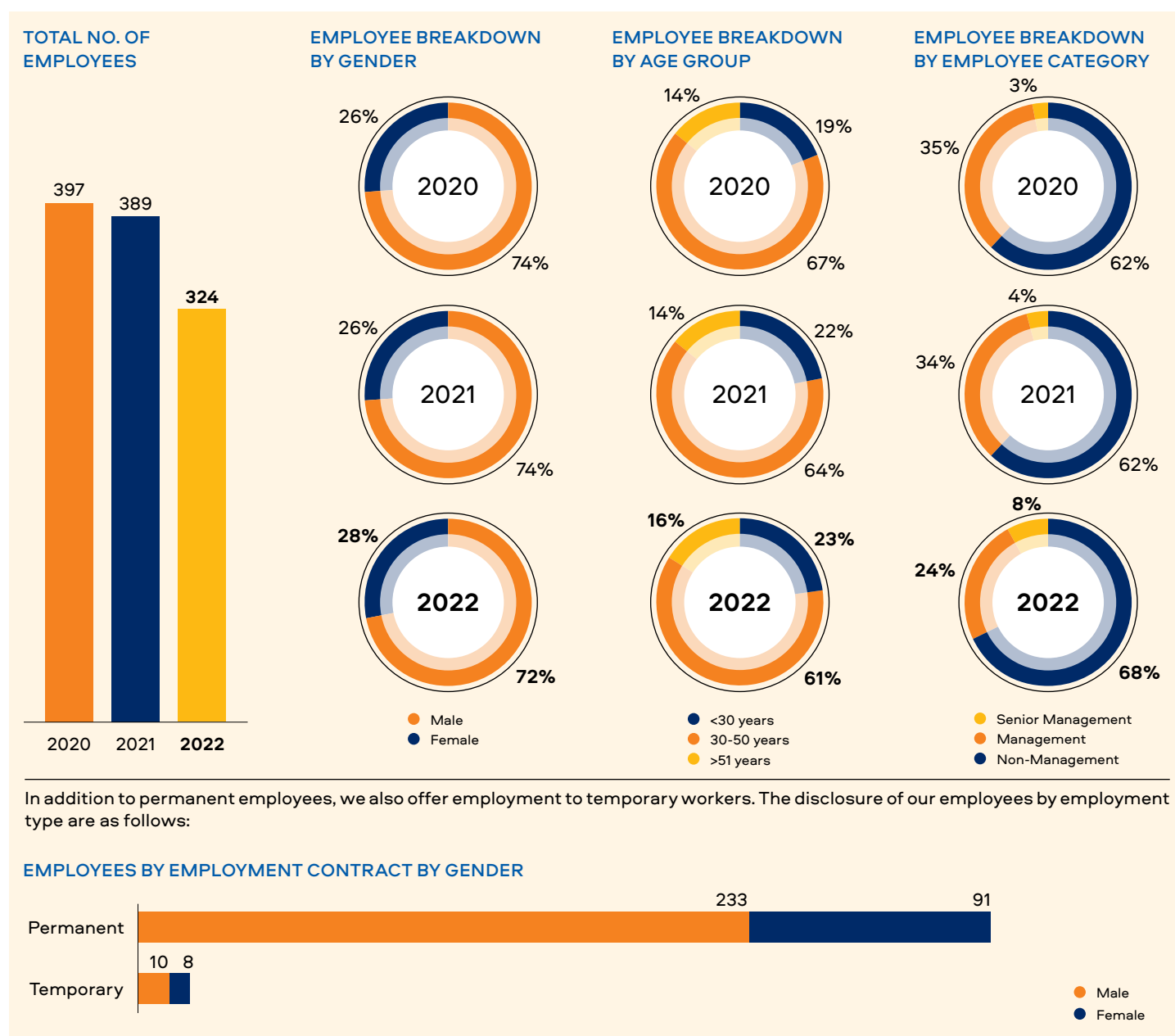


Social

BAT Malaysia's Workforce

Human capital is the backbone of our business and only with the full trust and dedication from our employees that BAT Malaysia is able to implement its A Better Tomorrow™ ambition. In our human capital philosophy, diversity is fully embodied in our employment practice. Our employees are hired through credibility and merit regardless of gender, age, nationality, ethnicity and religion. As a matter of fact, BAT Malaysia has a 57% spread of distinct nationalities in the Leadership team, enabling us to benefit from diverse employee skill sets, experiences and perspectives. To illustrate further, 28% of employees are women with 34% of women holding management roles.

In 2022, we have exported five talents for overseas postings, 28 promotions across organisational levels, 30 roles for job expansions or rotations and 17 short term assignments within commercial function.



Social

Initiatives to Drive Diversity and Inclusion

To support our employees throughout different stages of their life cycle, our various policies include providing employees with parental leave, mothers-to-be and new mothers with flexible working arrangements. For example, an expectant mother with on-the-go roles can opt for the flexibility to switch to desk-bound duties during the necessary period.

In our process of setting up a more female-friendly workplace, we drew insights from our female employees and provided amenities such as nursing and prayer rooms at sales offices and provided better-designed uniforms for female employees.

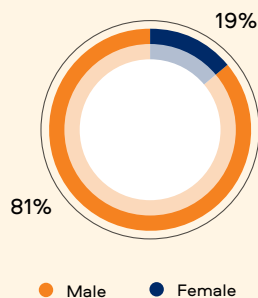
All these efforts start with the all-important process of education which plays a key role in creating awareness and an open mind to receive know-hows on how to drive diversity and inclusion.

Going beyond organisation walls, 8 female employees were presented with the opportunity for external mentoring sessions with experts to accelerate their leadership capabilities and personal development. The Women in Leadership training, a global development programme for female leaders were also attended by 2 females.

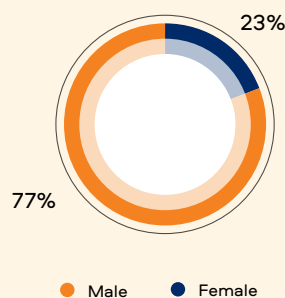
Above and beyond that, we respect the right of employees and provide adequate time-off for them to care for their child after birth or adoption. In 2022, 100% of employees who took parental leave returned to work.

PARENTAL LEAVE FOR 2022

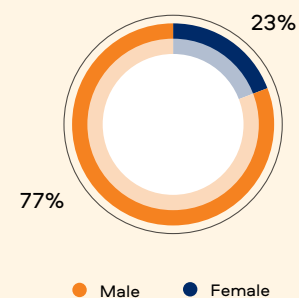
Percentage of Employees Entitled to Parental Leave



Percentage of Employees Who Took Parental Leave



Percentage Employees Who Returned to Work After Parental Leave Ended



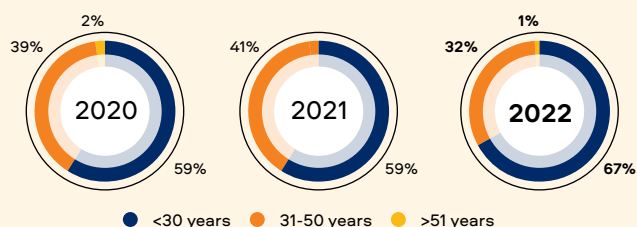
ATTRACTING & RETAINING THE BEST TALENT

When it comes to attracting and hiring talent that fit best with BAT Malaysia, we want our reputation to precede us. That is why the employee journey begins even before the hiring process.

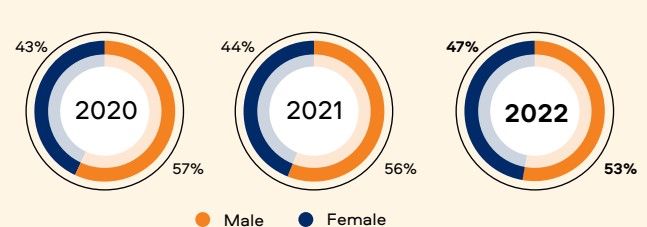
We have our proven case studies for diversity and gender equality in the organisation. Since 2020, the percentage of new female hires has steadily increased from 43% to 47% in 2022.

PERCENTAGE OF EMPLOYEE HIRED BY AGE GROUP AND GENDER

By Age Group



By Gender



Social



Top Employer Certification

This year, we bagged the Top Employer in Malaysia for the fifth consecutive year. Awarded by the Top Employers Institute, our fulfilling achievement is a clear outcome of our focus in creating a strong culture in engaging, inspiring and contributing towards our purpose of A Better Tomorrow™. BAT Malaysia is proud to embrace the culture of diversity and inclusivity whereby this award reassures us the efficacy of our ethos – Bold, Fast, Empowered, Responsible and Diverse.

Fair Employment Practices

Fair employment practices and commitment to developing and promoting a diverse workforce is a Group-wide practice for BAT Malaysia. We are unwavering when it comes to equal opportunities, non-discriminatory practices and policies in hiring, promoting, remunerating and selecting employees. These policies dictate equal treatment to qualified candidates regardless of gender, race, disability, nationality, region and age. It is undisputable that employees from diverse backgrounds will be able to elevate the high-performance culture by providing various complementary skills, experiences and unique perspectives to BAT Malaysia, ultimately enhancing our capacity to create value. We also continue to comply with local labour laws, regulations and cultural practices in addition to reviewing key employment data and statistics to uphold a diverse workforce.

Flexible Work Arrangement

BAT Malaysia recognises that flexibility is essential to attract and retain high performing employees and to facilitate the agility and productivity that BAT Malaysia's employees need to achieve sustained business success. BAT Malaysia introduced flexible work arrangement policy and work from anywhere policy. These policies have been designed to assist in balancing the needs of the business with those of the employees in managing flexibility and flexible working arrangements.

The flexible working policy allows employees remote working options for two days in a week whilst the work from anywhere policy allows employees to work from anywhere in Malaysia for up to four weeks a year.

Through this, BAT Malaysia supports improved work-life integration to create a more productive, inclusive and empowered workforce.

Our fair employment practices enable us to provide the following attractive benefits to permanent employees:

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

Social

TALENT ATTRACTION

Employer Value Proposition (EVP)

BAT Malaysia ensures that we execute our policies accurately by establishing clear communication. This is where our EVP comes into play, forming our three messaging pillars and guiding us in relaying our purpose of building A Better Tomorrow™.

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

Digital Talent Branding

Digital channels are increasingly utilised as one of the main touchpoints to source for quality talents and is also a primary avenue for BAT Malaysia's talent attraction and sourcing. We leverage on this reliable touchpoint, which is readily available and provides insights for key data, platforms and content delivery. We also partner with recruitment teams in our Global Business services for robust and efficient recruitment process to attract the right talent for BAT Malaysia.



Social

Battle of Minds 2022

Year on year, BAT Malaysia embarks on the revolutionary journey to transform the corporation, with its flagship Top Employer Branding Event of the year, scouring the country for young progressive talent to add to its talent pool. Battle of Minds is a global competition that gives university students and professionals the opportunity to make a positive impact by bringing their innovative and groundbreaking ideas forward and make a positive impact.

With this year's global theme to our Sustainability and ESG Agenda surrounding the Environmental, Social and Governance challenge, we engaged thousands of aspirants through social media with 19,000 video views and 1800+ application clicks. Team Too Good Duo from Malaysia, went on to represent South East Asia in the global finale.



RETAINING THE BEST TALENT

Digitalised Onboarding Experience

The Enboarder digital onboarding experience launched by BAT Malaysia is a platform to assist and guide new joiners on their first day of work, prior to officially being present at the workplace. This engaging onboarding experience builds an effective start by helping them to navigate easily, getting information including the overview of the company's purpose, strategy, Standards of Business Conduct as well as training and development. In 2022, more than 90 new joiners were aided by the platform.

Meet and Greet Session for New Joiners

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

New Joiner Sharing Session

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

WORKFORCE ENGAGEMENT

Employee Engagement Activities

Employee engagement activities have been accelerated by COVID-19 as organisations begin to search for ways to keep in touch with employees whilst having them working from home. As more and more of the workforce returned to the office this year, we continued to uphold this practice through various engagements, huddles, celebrations and events.

In the fourth quarter of 2022, 300+ employees of BAT Malaysia participated in a business strategy meeting in Penang.



Social

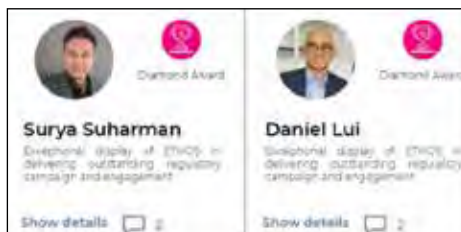


RECOGNISING & REWARDING TALENT

A Better Tomorrow™ Awards

Our rewards and recognition programmes aim to honour as well as celebrate BAT Malaysia's high-performing and loyal employees. These include the "Building Tomorrow" Awards, Leadership Team Award and the Long Service Awards which are all served to well-deserving employees as well as to propel them towards growing and delivering.

A Better Tomorrow™ Awards is designed to help us to appreciate people who live our Ethos and contribute to our business priorities. Our ambition is to create simple, consistent, meaningful, and memorable recognition that elevates our global employee experience. Recognition that empowers employees to value each other in our pursuit of innovation and high performance - by being Bold, Fast, Empowered, Diverse, and Responsible. The programme was launched during the business strategy meeting in 2022 which was attended by 300+ employees.



Long Service Awards

This year we paid tribute to recipients during our business strategy meeting in Penang. We have a long service award for commemorating 10, 20 and 30 years. We also celebrated retiring employees to commemorate their dedication to the Company.

Social

WORKPLACE

Occupational Health & Safety

The health and safety of our employees continues to be our priority concern, and this is emphasised in our commitment to protecting our employees, contractors, consumers and our society. We continue to ensure full compliance with all the relevant health and safety regulations by providing a safe working environment backed by awareness, training and supervision to enable our employees to work safely.

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

BAT Malaysia's Integrated Management System in Environmental, Health and Safety Management System (IMS-EHS) provides guidelines on recording and managing all tasks related to environmental protection and occupational health and safety across the organisation. The EHS Road Map ensures the implementation of our IMS-EHS is effective by measuring our performance against set targets.

In the year under review, we recorded a score of 3.5 in our IMS-EHS performance against a total score of 4. A total of 26 EHS policy aspects and related topics were assessed, including implementation plans and monitoring of specific EHS indicators that were categorised in sections. We obtained a score of at least 3 in each section of the policy.

EHS Policy/Steering Committee

BAT Malaysia's workplace health and safety is governed by an EHS Policy and Steering Committee, which is chaired by the Operations Director who provides direction, support and guidance, and ensures the continuous development of its EHS management. Meetings are held twice a year to discuss the following:

- Thorough review and assessment of BAT Malaysia's EHS Policy and EHS management systems and programmes
- Ensure implementation of actions in compliance with laws, regulations and EHS policy objectives
- Review maintenance programmes
- External stakeholder engagement
- Management of employees' self-assessment reviews based on the EHS Road Map
- Decision-making on important issues, budget timing and targets

Hazard Identification & Risk Assessment

We ensured that our entire workforce continues to be covered under our EHS Policy.

We continue to strive to eradicate hazards and risks across our operations by identifying potential threats through Hazard Identification, Risk Assessment and Risk Control (HIRARC) to safeguard the health and wellbeing of our employees.

Prioritising Health and Safety at Work

The Company achieved ZERO Lost Time Injury (LTI), highlighting its tenth year in this accomplishment.

As health and safety risks are ever present across various industries, we have in place a Near Miss Reporting Programme to encourage employees to be proactive in reporting near misses of hazards or risks associated with their workplace. This enables the Company to identify any threats that can turn into accidents and cause harm to our employees. Reporting near misses will also enable us to take remedial action to minimise accidents and increase our culture on safety.

Occupational Health & Safety Training

In our commitment to protecting our employees from harm, we continuously organise various initiatives that will embed safety at work and enable them to perform to the best of their ability. We emphasise this from the start of their journey with us by making it mandatory for all new employees to take part in health and safety training during their orientation and induction. We continue to prioritise occupational health and safety through providing ongoing training for employees and contractors according to their respective roles and individual needs.

Employee Wellness

BAT Malaysia offers a robust Employee Assistance Programme to all employees to manage physical and mental health and wellbeing. In October 2022, in conjunction with World Mental Health Day, we organised a free health check programme for BAT Malaysia employees. Offering complimentary physical and mental health screening by qualified counsellors, psychologists, dietitians and fitness coaches, the programme also includes free access to our health app which provides direct access to a wealth of resources to support our employee health and wellbeing.

BAT Malaysia is committed to supporting the wellbeing of its employees through various initiatives and programmes and fostering a culture of employee wellness at its core.

First Aid Training

Training programmes are conducted to enhance the knowledge of first aiders and emergency response teams. First aid refresher courses are organised every three years to ensure our first aiders are response ready for emergencies.

Defensive Driving Course

A large majority of our employees spend a lot of time on the road, as our operations includes marketing and sales. Our National Sales Team is fully trained in defensive driving to enable them to identify potential hazards on the road and make sensible decisions during emergencies. Throughout 2022, five defensive driving sessions

Social

were carried out participated by a total of 200 employees. This initiative was designed to educate and equip our employees with the necessary skills to operate vehicles safely on the roads. The sessions were highly interactive and engaging, covering first aid and various aspects of defensive driving, such as basic vehicle safety checks and accident-avoidance strategies.



MOSHPA Award

In recognition of our consistent efforts to drive a high commitment to health and safety at work, we received the Platinum Silver Award in the Manufacturing Category at the 18th Malaysian Occupational Safety and Health Practitioners' Association (MOSHPA) OSH National Awards 2022. This 2022 award is the fourth in row from MOSHPA after receiving 3 Gold award previously.

At the same awards ceremony, the Company's Sustainability Manager received the Silver Award in the Most Influential People category.

Telematics Monitoring of Fleet Vehicles

In a move to provide a better perspective on the behaviours of our drivers, we installed telematics monitoring systems which combines GPS technology and onboard diagnostics in all Company fleet vehicles in 2019. These systems enabled us to adapt our process and provide relevant training to improve safety, cost management and route planning. We are able to obtain detailed monthly reports on violations committed on the road such as abrupt braking, speeding, and long idling, which are sent to our Fleet and HR Departments for further analysis and action.

Our Company vehicles are also equipped with dashcams to monitor driver behaviour and facilitate investigations for any accidents on the road.

Occupational Health & Safety Performance

Over the years, BAT Malaysia has highlighted the importance of a safe working culture across its operations. Our efforts have shown positive results as we have managed to reduce the number of accidents that occur across our premises. We will ensure this trend is maintained through continuous initiatives on safety and health, including identifying and minimising risks and ensuring our safety practices are embedded in all our employees.

We continue to encourage our staff to integrate safety practices into their daily operations and to report any risks to EHS teams or near misses thorough our Near Miss Reporting Programme. In the year under review, we recorded zero high-consequence injuries and zero fatalities.

UPHOLDING HUMAN RIGHTS ACROSS OUR OPERATIONS

BAT Malaysia is cognisant of its duty as a corporate citizen to advocate the rights of all its stakeholders. We remain guided by international standards such as those outlined in the United Nations Guiding Principles on Business and Human Rights and the Organisation for Economic Cooperation and Development (OECD) Guidelines for multinational Enterprises. Our commitment to protecting human rights is also outlined in the Human Rights and Our Operations sections of the Standards of Business Conduct, which guides us in safeguarding the rights of our employees, partners, vendors and communities.

The Standards of Business Conduct underpins our responsibility to identify and mitigate human rights risks that are related to our operations. Our continuous engagement with our stakeholders, including our employees and their representatives helps us ensure that no rights were violated and that we are on track to meeting our targets in the advocacy of human rights. We will continue to take appropriate measures and remedial actions to prevent any violation of human rights.

We are also guided by our Employment Principles, which ensure that all our employees are treated fairly and that we uphold workplace-related human rights. These principles enable us to develop pertinent policies and procedures according to local labour laws and practices, taking into account any changes that occur in the political and economic and cultural landscape.

Based on the Employment Principles, the human rights policies we have integrated into our business include:

- Equal opportunities and non-discrimination
- Internal communications and free flow of ideas
- Worker representation and freedom of association
- Fairness at work and no tolerance to harassment and bullying
- Against all forms of child/forced labour
- Promote performance responsibility
- Uphold responsibility on health, safety and environment
- Invest in the community and develop skills of employees and communities in markets where we operate
- Provide personal development and learning
- Provide reasonable working hours for employees and family-friendly policies
- Provide fair, clean and competitive remuneration and benefits package

We also ensure our suppliers consistently implement the same human rights practices throughout their supply chain, and fully comply with the Supplier Code of Conduct (SCoC) which has been incorporated in all our contractual agreements.

Our suppliers include contractors, service providers and distributors, who are required to practise the highest standards of business ethics and integrity to prevent any conflicts of interest, bribery, corruption, sanctions, tax evasion and illicit trade. The SCoC requires the full cooperation of all suppliers to meet its requirements to enable them to provide goods and services to the Group. Any non-compliance found will result in the termination of agreements between these suppliers and BAT Malaysia.

Social

Broadly, the SCoC supports our commitment to respecting human rights and is based on international standards, including the United Nations (UN) Guiding Principles on Business and Human Rights, the International Labour Organization's (ILO) Declaration on Fundamental Principles and Rights at Work and the Organisation for Economic Cooperation and Development (OECD) Guidelines for Multinational Enterprises. In 2022, there were zero records of any human rights violations among our workers or other communities, including those from indigenous tribes.

GIVING BACK TO COMMUNITIES

At BAT Malaysia, we value the healthy relationships fostered with our communities.

Our employees are encouraged to be part of the enriching journey of engaging with and serving communities in need. We believe that a sustainable business model is anchored on the value we create for our stakeholders and the positive mindsets of our people. As such, our community investment initiatives are created to generate positive short and long-term impacts on the community.

In 2022, we set up a community investment plan, which encompasses a detailed roadmap, steps and execution strategies. As of December 2022, BAT Malaysia had established its flagship community investment programme aimed at supporting food security among vulnerable communities in Malaysia.

In working towards our set goals to deliver positive social impact that fulfil our purpose of building A Better Tomorrow™, we initiated the following projects:



Coastal Cleanup

The Group initiated a coastal cleanup across beaches in Selangor, Negeri Sembilan, Melaka, Perak and Pahang. A total of 213 participants comprising employees, their families and personnel from Universiti Teknologi Mara (UiTM) and NGOs joined hands to remove trash in an effort to protect the marine ecosystem. Approximately 11 tons of trash was collected in this environmental initiative.



Providing Flood Relief

Earlier in the year, many communities in several parts of the country experienced the devastating aftermath of floods. To help them through difficult times, BAT Malaysia donated food and household items to 600 individuals via the continued partnership with MyKasih.



Blood Donation

A blood donation drive in partnership with the National Blood Centre was organised at BAT's Head Office in conjunction with World Safety Day Celebration. A total of 67 employees participated the campaign where 64 packs of blood were collected.



Donation of Refurbished Laptops

At BAT Malaysia, we believe that technology strongly enhances education and drives the nation forward. Since 2016, BAT Malaysia has been donating used laptops on an annual basis to underprivileged communities. This year, we worked closely with the Malaysian Historical Society and the NGO - Yayasan TZA where we contributed refurbished Lenovo ThinkPads to 200 beneficiaries. We are proud to have played our role in empowering lower-income communities.

ENHANCING FOOD SECURITY AMONG UNDERPRIVILEGED COMMUNITIES

In 2022, BAT Malaysia launched its flagship community investment project to support vulnerable communities to grow their food requirement using organic agriculture techniques in community run farm gardens. This is in line with UN SDG 10: Reduce Inequalities and the general aim of the global goal of leaving no one behind.

BAT Malaysia launched 2 pilot projects in September 2022 to test the community farm garden model it had developed. We worked closely with multiple partners throughout various phases, including the Department of Agriculture and local authorities. Through our intervention, we support selected communities with resources, funding and knowledge transfer while providing technical support via relevant subject matter experts. We hope to create independent, prosperous, and environmentally friendly agricultural communities that can achieve food self-sufficiency across Malaysia.

At the end of the year, we established two pilot projects aligned to Malaysia's Urban Community Garden Policy. These pilot projects are located in Tanjong Karang and Shah Alam where we have been working with the resident associations to develop the garden infrastructure and provide training through the relevant government authorities. We supported them to grow selected vegetables that will be sold at subsidised prices to the community once harvested.

With this project,
BAT Malaysia intends to
transform the lives of
165,000
beneficiaries
by 2026.





Our Governance

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

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Board of Directors



Sitting (Left to Right)

» **NEDAL LOUAY SALEM**
Executive Director/
Managing Director

» **TAN SRI DATO' SERI
DR. ASEH BIN HAJI CHE MAT**
Independent Non-Executive
Director/Chairman

Standing (Left to Right)

» **NORLIZA BINTI KAMARUDDIN**
Independent
Non-Executive Director

» **ERIC OOI LIP AUN**
Independent
Non-Executive Director

» **DATUK CHRISTINE LEE OI KUAN**
Non-Independent
Non-Executive Director

» **DATO' CHAN CHOON NGAI**
Senior Independent
Non-Executive Director

» **ANTHONY YONG MUN SENG**
Executive Director/
Finance Director

Board of Directors

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

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

Age
71

Gender
Male

Nationality
Malaysian

Date Appointed to the Board
1 January 2017

Qualifications:

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

**Number of Board Meetings
Attended in the Financial
Year:**

5/5

Membership of Board Committees:

- Nomination and Remuneration Committee (Chairman)

Present Directorship(s):

- Listed Entity
- Parkson Holdings Berhad

Other Public Companies:

- Nil

Working Experience:

Tan Sri Dato' Seri Dr. Aseh is active in community service. He is the Trustee and Chairman of the Football Association of Malaysia Vetting, Monitoring and Integrity Committee, Chairman of Yayasan Pesara Kerajaan and President of Tiara Golf & Country Club, Melaka and Vice President of the Malaysian Golf Association. He is also the Chancellor of Infrastructure University Kuala Lumpur. He was also active in the Administrative and Diplomatic Service and was its longest-serving President. Besides that, he was the Chairman of the University Council of Limkokwing University of Creative Technology (2008-2017), Stemlife Berhad (2008-2013) and MWE Holdings Berhad (2008- 2018). He was also a board member of Lion Diversified Holdings Berhad (2007-2019).

Tan Sri Dato' Seri Dr. Aseh joined the Ministry of Finance, Malaysia in March 1974 and held various positions as Assistant Secretary, Secretary and Principal Assistant Secretary of the Education Services Commission in Kuala Lumpur, Sarawak and Sabah during his eight years with the Commission.

From 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.

After retirement from the civil service, he held the positions of Chairman of Pos Malaysia from July 2008 to 2011, President of Putrajaya Corporation from August 2012 to July 2015 and Chairman of the Social Security Organisation (2017 - 2018). In September 2015, Tan Sri Dato' Seri Dr. Aseh was appointed Non-Executive Chairman of Fujitsu (Malaysia) Sdn Bhd. He was also appointed as an Independent Non-Executive Director of Parkson Holdings Berhad on 24 November 2022.

Additional Information:
None of the Directors have:

- any family relationships with any Directors and/or major shareholders of BAT Malaysia.
- any conflict of interest with BAT Malaysia.
- any convictions for offences within the past five years nor has had any public sanction or penalty imposed on them by the relevant regulatory bodies during the financial year 2022.

Board of Directors

**DATO' CHAN
CHOON NGAI**

DSNS

**Senior Independent
Non-Executive Director**Age
67Gender
MaleNationality
MalaysianDate Appointed to the Board
1 February 2011**Qualifications:**

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

**Number of Board Meetings
Attended in the Financial
Year:**

5/5**Membership of Board Committees:**

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

Present Directorship(s):

- Listed Entity
- Nil

Other Public Companies:

- Nil

Working Experience:

Dato' Chan was appointed to the Board of BAT Malaysia on 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 the Company on 1 January 2013 following the expiry of his contract of service on 31 December 2012. Subsequently, he was re-designated as Independent Non-Executive Director of the Company on 23 May 2016. He was re-designated as Senior Independent Non-Executive Director on 28 February 2021.

He was appointed as the Operations Director 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 Production Director of the then Rothmans Malaysia in October 1995. He was a director of Tien Wah Press Holdings Berhad from May 1997 to June 2003.

Additional Information:**None of the Directors have:**

- any family relationships with any Directors and/or major shareholders of BAT Malaysia.
- any conflict of interest with BAT Malaysia.
- any convictions for offences within the past five years nor has had any public sanction or penalty imposed on them by the relevant regulatory bodies during the financial year 2022.

Board of Directors

ERIC OOI LIP AUN

Independent Non-Executive
DirectorAge
65Gender
MaleNationality
MalaysianDate Appointed to the Board
1 March 2019

Qualifications:

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

Number of Board Meetings
Attended in the Financial
Year:

5/5

Membership of Board Committees:

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

Present Directorship(s):

- Listed Entity
- Genting Berhad

Other Public Companies:

- Nil

Working Experience:

Eric was a Partner at PricewaterhouseCoopers (PwC), Malaysia until his retirement in June 2015 after 38 years of service. He joined the firm of Price Waterhouse (PW) (now known as PwC) 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 of leading 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 until 2008, Eric was the Assurance leader for PwC's regional grouping in Asia, and was a member of PwC's Global Assurance leadership team.

In 1996, he assumed management and leadership positions for different parts of PW/PwC within Malaysia, across Asia and globally. He was PW Malaysia's leader for Audit and Business Advisory Services, and continued in the role following the merger between PW and Coopers & Lybrand to form PwC in 1998, a position he held until 2008.

Additional Information:

None of the Directors have:

- any family relationships with any Directors and/or major shareholders of BAT Malaysia.
- any conflict of interest with BAT Malaysia.
- any convictions for offences within the past five years nor has had any public sanction or penalty imposed on them by the relevant regulatory bodies during the financial year 2022.

Board of Directors

**NORLIZA BINTI
KAMARUDDIN**

ADJUNCT PROFESSOR
**Independent Non-Executive
Director**

Age
58

Gender
Female

Nationality
Malaysian

Date Appointed to the Board
30 April 2021

Qualifications:

- Industry Adjunct Professor Multimedia University, Malaysia
- Senior Certified Professional Coach (SCPC/CPC/EMCC), Coach Transformation Academy, Dubai, UAE
- Professional Certificate in Corporate Public Affairs from The Center of Corporate Public Affairs, Melbourne Business School, Australia
- Bachelor in Arts and Design from Universiti Teknologi MARA, Malaysia

**Number of Board Meetings
Attended in the Financial
Year:**

4/5

**Membership of Board Committees:**

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

Present Directorship(s):

Listed Entity

- Kumpulan Perangsang Selangor Berhad
- Sedania Innovator Berhad

Other Public Companies:

- Nil

Working Experience:

Norliza binti Kamaruddin is a senior communications specialist with more than 30 years of experience in Malaysia and other international markets. She specialises in multiple sectors including energy, finance, banking, aviation, telecommunications and hospitality. Norliza has helped organisations within ASEAN, the Middle East and the Americas to develop and execute communication strategies. She is recognised as one of Malaysia's leading communication strategists with a deep understanding of the geopolitical landscape and a track record in developing sophisticated reputation campaigns for major companies. She is the only Malaysian to be recognised in the world's three most prestigious public relations (PR) and marketing awards. She was also named one of the 'Top 500 Most Influential PR Professionals in PR Week Power Book 2014 and 2015' by the global PR Week magazine. She was awarded 'Internationalist of the year 2014' by The Internationalist, New York.

Currently, Norliza is the Managing Director in the Strategic Communications practice of FTI Consulting, Inc and is based in Kuala Lumpur, Malaysia. FTI Consulting, Inc is a global New York-based business advisory firm listed on the New York Stock Exchange (NYSE). Previously, she was the Global Head of Strategic Communications for PETRONAS. She also served as the Country Head of Corporate Affairs at Standard Chartered Bank.

Additional Information:**None of the Directors have:**

- any family relationships with any Directors and/or major shareholders of BAT Malaysia.
- any conflict of interest with BAT Malaysia.
- any convictions for offences within the past five years nor has had any public sanction or penalty imposed on them by the relevant regulatory bodies during the financial year 2022.

Board of Directors

**DATUK CHRISTINE
LEE OI KUAN**

DPSM

**Non-Independent
Non-Executive Director**Age
64Gender
FemaleNationality
MalaysianDate Appointed to the Board
1 March 2012**Qualifications:**

- Degree in Law from the University of Malaya, Malaysia

**Number of Board Meetings
Attended in the Financial
Year:**

5/5**Membership of Board Committees:**

- Sustainability Committee

Present Directorship(s):

Listed Entity

- Carlsberg Brewery Malaysia Berhad

Other Public Companies:

- Nil

Working Experience:

Datuk Christine was the Legal and External Affairs Director of BAT Malaysia from September 2006 until her retirement on 31 December 2018. Datuk Christine was responsible for corporate and regulatory affairs and legal matters of BAT Malaysia. She was re-designated as Non-Independent Non-Executive Director of BAT Malaysia on 1 January 2019 after her retirement.

Datuk Christine started out as the Head of Legal and Company Secretary at BAT Malaysia in 2001. She was appointed to the Top Team, now known as the Leadership Team of BAT Malaysia, in 2006.

Prior to joining BAT Malaysia, Datuk Christine was the Head of Legal and Company Secretary of two public listed companies, Hong Leong Industries Berhad and Malaysian Pacific Industries Berhad.

She was with the Attorney General's Chambers of Malaysia from 1983, serving in the Prosecution and Advisory and International Law Divisions.

Additional Information:**None of the Directors have:**

- any family relationships with any Directors and/or major shareholders of BAT Malaysia.
- any conflict of interest with BAT Malaysia.
- any convictions for offences within the past five years nor has had any public sanction or penalty imposed on them by the relevant regulatory bodies during the financial year 2022.

Board of Directors

**NEDAL LOUAY
SALEM**Executive Director/
Managing DirectorAge
53Gender
MaleNationality
**United States of America
(USA)**Date Appointed to the Board
1 September 2021**Qualifications:**

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

Number of Board Meetings
Attended in the Financial
Year:**5/5****Membership of Board Committees:**

- Sustainability Committee

Present Directorship(s):

- Listed Entity
- Nil

Other Public Companies:

- British American Tobacco Malaysia Foundation

Working Experience:

Prior to his appointment, Nedal was the Managing Director and Chief Executive Officer of Ceylon Tobacco Company PLC (CTC), Sri Lanka since 2019. During Nedal's tenure, CTC achieved significant milestones in its corporate governance framework, talent strategy and ESG agenda, with a specific focus on becoming the first seed-to-smoke end-market to achieve carbon neutrality within BAT p.l.c. Group.

He has more than 20 years of international experience in British American Tobacco p.l.c. Group, spanning nine markets on three continents. He has created a legacy of building strong and driven teams, growing globally-driven brands and successfully delivering results.

He was the Head of Brands Marketing in Bentoel Indonesia (2017-2019) and the Director of Brands Marketing, Korea (2011-2015).

Nedal started his career in British American Tobacco Middle East in 1998.

Additional Information:**None of the Directors have:**

- any family relationships with any Directors and/or major shareholders of BAT Malaysia.
- any conflict of interest with BAT Malaysia.
- any convictions for offences within the past five years nor has had any public sanction or penalty imposed on them by the relevant regulatory bodies during the financial year 2022.

Board of Directors

**ANTHONY YONG
MUN SENG**Executive Director/
Finance DirectorAge
50Gender
MaleNationality
MalaysianDate Appointed to the Board
1 November 2021**Qualifications:**

- Member of Chartered Accountants Australia and New Zealand
- Member of the Malaysian Institute of Accountants
- Member of the Malaysian Institute of Certified Public Accountants

Number of Board Meetings
Attended in the Financial
Year:**5/5****Membership of Board Committees:**

- Risk Management Committee

Present Directorship(s):

Listed Entity

- Nil

Other Public Companies:

- Nil

Working Experience:

Anthony has a broad international background, having served as Chief Financial Officer and in other senior roles with responsibility for Finance, Strategy and Transformation in Asia and Europe.

Prior to his appointment, Anthony was the Corporate Finance Controller of British American Tobacco South East Asia since 2017.

Anthony was the Chief Financial Officer of Asia for Lhoist from 2015 to 2017.

Between 2000 and 2014, Anthony held multiple senior positions within the BAT group of companies in Malaysia, Switzerland and Bangladesh.

Anthony joined British American Tobacco Asia-Pacific Region in 2000 as Regional Finance Manager after eight years in KPMG.

Additional Information:**None of the Directors have:**

- any family relationships with any Directors and/or major shareholders of BAT Malaysia.
- any conflict of interest with BAT Malaysia.
- any convictions for offences within the past five years nor has had any public sanction or penalty imposed on them by the relevant regulatory bodies during the financial year 2022.

Leadership Team



Sitting (Left to Right)

» **ADRITA DATTA**
Human Resources Director

» **NEDAL LOUAY SALEM**
Managing Director

» **C K REMEENA PRABHAKARAN**
Supply Chain Director

Standing (Left to Right)

» **FAIRUZ HELMI**
External Affairs Director

» **ANTHONY YONG MUN SENG**
Finance Director

» **BRYCE MATTHEW GREEN**
Commercial Marketing Director

» **MICHAEL TAN HENG CHAI**
Marketing Deployment
Director

» **ROHAN GNANAGANESAN**
Legal and Corporate Affairs Director

Leadership Team



NEDAL LOUAY SALEM
Managing Director

Age
53

Gender
Male

Nationality
USA

Date Appointed to the Leadership Team
13 October 2021

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



ANTHONY YONG MUN SENG
Finance Director

Age
50

Gender
Male

Nationality
Malaysian

Date Appointed to the Leadership Team
1 November 2021

For details of Anthony's profile, please refer to page 73 of this Annual Report.



FAIRUZ HELMI
External Affairs Director

Age
50

Gender
Male

Nationality
Malaysian

Date Appointed to the Leadership Team
1 April 2022

Qualifications:

- Degree in Law from the University of Wales, Aberystwyth, United Kingdom

Directorship in Public Companies and Listed Issuers:

- Nil

Working Experience:

- Fairuz was appointed the External Affairs Director of BAT Malaysia on 1 April 2022.
- Fairuz joined BAT Malaysia in 2006 and has since held various roles in BAT Malaysia.
- Prior to joining BAT Malaysia, Fairuz was the Head of Department in the Market Policy & Development Division of Securities Commission Malaysia.
- Fairuz is an experienced government and public affairs professional, specialising in strategic government and stakeholder in the regulatory and public policy advocacy.
- Fairuz also sits on the National Kenaf and Tobacco Board since November 2020.

Additional Information:

None of the Leadership Team has:

- any family relationships with any Directors and/or major shareholders of BAT Malaysia.
- any conflict of interest with BAT Malaysia.
- any convictions for offences within the past five years nor has had any public sanction or penalty imposed on them by the relevant regulatory bodies during the financial year 2022.
- direct/indirect shareholdings in BAT Malaysia.

Leadership Team



MICHAEL TAN HENG CHAI
Marketing Deployment Director

Age
42

Gender
Male

Nationality
Malaysian

Date Appointed to the Leadership Team
1 March 2022

Qualifications:

- Master of International Business, The University of Sydney, Australia
- Master of Logistics Management, The University of Sydney, Australia
- Bachelor of Arts (1st Class Honours) Business Administration, The University of East London, United Kingdom

Directorship in Public Companies and Listed Issuers:

- Nil

Working Experience:

- Michael was appointed the Marketing Deployment Director of BAT Malaysia on 1 March 2022. He rejoined BAT Malaysia in 2020 as the Head of Brands - New Categories.
- Prior to rejoining BAT Malaysia, he spent several years working in China and Hong Kong building and growing luxury spirits and consumer electronic brands for Greater China, Japan, South Korea, Russia and Southeast Asia.
- Michael joined BAT Malaysia in 2007 as a Market Insights Executive. He held various roles in the Marketing function within the BAT Group in Malaysia and Taiwan until 2011.



ROHAN GNANAGANESAN
Legal and Corporate Affairs Director

Age
47

Gender
Male

Nationality
Malaysian

Date Appointed to the Leadership Team
1 April 2022

Qualifications:

- Bachelor of Laws (Hons), University of London, United Kingdom
- Certificate in Legal Practice (Legal Profession Qualifying Board, Malaysia)

Directorship in Public Companies and Listed Issuers:

- Nil

Working Experience:

- Rohan was appointed the Legal and Corporate Affairs Director of BAT Malaysia on 1 April 2022. He joined BAT Malaysia in January 2021 as the Head of Legal and Corporate Affairs.
- Prior to joining BAT Malaysia, Rohan was the Legal Director of Johnson & Johnson Sdn Bhd, where he oversaw the legal matters for its Medical Devices, Pharmaceuticals and Consumer business sector for Malaysia and Brunei.
- Rohan has also worked with companies like Ericsson Malaysia Sdn. Bhd., and Novo Nordisk Pharma (Malaysia) Sdn Bhd as their legal counsel.
- Before taking on corporate in-house roles, Rohan was an Advocate & Solicitor (High Court of Malaya), practising in private law firms.



ADRITA DATTA
Human Resources Director

Age
39

Gender
Female

Nationality
Bangladeshi

Date Appointed to the Leadership Team
1 September 2022

Qualifications:

- Master of Business Administration in HRM, Symbiosis Institute of Business Management, Pune, India
- Bachelor of Computer Science, University of Pune, India

Directorship in Public Companies and Listed Issuers:

- Nil

Working Experience:

- Adrita has over 15 years of experience across different dimensions of HR as well as commercial functions in a multinational and multicultural environment.
- She joined BAT Bangladesh in 2010 and has since held various senior leadership roles within the BAT Group in several countries like Bangladesh, Japan and Sri Lanka.
- Prior to her current role, she took a bold step and ventured out to lead the largest Trade Marketing region of Bangladesh to deliver commercial growth, amid the adversities of a global pandemic.
- Adrita has a strong track record of championing diversity and inclusion in the workplace and beyond. She is also passionate about building future-fit capabilities and championing an empowered culture in the organisation.
- Adrita was recognised as a Progressive Women Leader in 2017 by a reputable local authority in Bangladesh.

Additional Information:

None of the Leadership Team has:

- any family relationships with any Directors and/or major shareholders of BAT Malaysia.
- any conflict of interest with BAT Malaysia.
- any convictions for offences within the past five years nor has had any public sanction or penalty imposed on them by the relevant regulatory bodies during the financial year 2022.
- direct/indirect shareholdings in BAT Malaysia.

Leadership Team



C K REMEENA PRABHAKARAN
Supply Chain Director

Age
59

Gender
Female

Nationality
Malaysian

Date Appointed to the Leadership Team
1 March 2018

Qualifications:

- Bachelor of Science in Mathematics, Microbiology and Genetics from the 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 to the Regional Head of Procurement.
- She was with Philip Morris International from 1997 to 2012 with her last role being the Director of Supply Chain South Cluster.



BRYCE MATTHEW GREEN
Commercial Marketing Director

Age
38

Gender
Male

Nationality
Australian

Date Appointed to the Leadership Team
6 November 2020

Qualifications:

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

Directorship in Public Companies and Listed Issuers:

- Nil

Working Experience:

- Bryce was appointed Commercial Marketing Director on 6 November 2020.
- Prior to his current role, Bryce was the Marketing Director China of a joint venture between BAT and the China National Tobacco Corporation, as well as working on various projects across the 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 being promoted to the South Pacific Area Marketing Director.
- Bryce joined BAT Australia in 2009 as a Trade Marketing Representative. He has held various roles in the Marketing function in Australia.

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

- any family relationships with any Directors and/or major shareholders of BAT Malaysia.
- any conflict of interest with BAT Malaysia.
- any convictions for offences within the past five years nor has had any public sanction or penalty imposed on them by the relevant regulatory bodies during the financial year 2022.
- direct/indirect shareholdings in BAT Malaysia.

Corporate Governance Overview Statement

A ROBUST GOVERNANCE STRUCTURE

On behalf of the Board, I am pleased to present our Corporate Governance Overview Statement for 2022. The Board remains committed to maintaining effective corporate governance and integrity, enabling us to deliver our strategy for the long-term benefit of all our stakeholders.

GOVERNANCE, CULTURE AND GOALS

Our purpose, to build A Better Tomorrow™, continues to guide us and informed decisions are made at every level of the Company. BAT Malaysia has a strong and established culture, which is supported by our foundations and principles, and which shapes the way we work. Our resilience and performance following the pandemic were due to our business model and all our people continuing to act in line with our high standards of ethical


PG82

Principle A:

**BOARD
LEADERSHIP
AND
EFFECTIVENESS**
PG91

Principle B:

**EFFECTIVE
AUDIT AND RISK
MANAGEMENT**
PG96

Principle C:

**EFFECTIVE
COMMUNICATIONS
WITH
STAKEHOLDERS**

AWARDS 2022

MSWG-ASEAN Corporate Governance Award 2021

*Excellence Award for
Corporate Governance
Disclosure*

MSWG-ASEAN Corporate Governance Award 2021

*Industry Excellence
Award in Consumer
Products & Services
category*

2021 ASEAN Corporate Governance Scorecard Award

*ASEAN Asset Class
PLCs (Malaysia)*



behaviour in 'doing the right thing' and driving our sustainable growth and the customer outcomes we desire.

We continue to ensure that good governance is present at all levels and all areas of the Company. There are reliable Group-wide systems in place to monitor all aspects of governance and the Board and its Committees regularly review information about our strong health and safety culture and approach to assessing and monitoring risk.

SUSTAINABILITY

As set out on pages 38 to 63 in this report, we continued to progress with our sustainability ambitions in 2022 with the support of our Sustainability Committee. You can read more about the Committee's activities on page 90 and review the Sustainability Committee's Terms of Reference (TOR) on the Corporate Governance section of our website, www.batmalaysia.com. The Sustainability Committee has enhanced the Board's focus on the environmental- and employee engagement-related social elements of ESG. Other Board Committees which have contributed to this agenda include the Nomination and Remuneration Committee, with its focus on the diversity- and inclusion-related social element, and the Audit Committee, with its focus on the governance element.

Our robust governance arrangements and well-established processes gave the Board and its Committees the flexibility to operate in this ever-uncertain environment. We engaged with our shareholders through the Annual General Meeting, which was again held virtually. The meeting was livestreamed, with the opportunity for shareholders to ask questions before and during the meeting, which was very much valued by the Board.

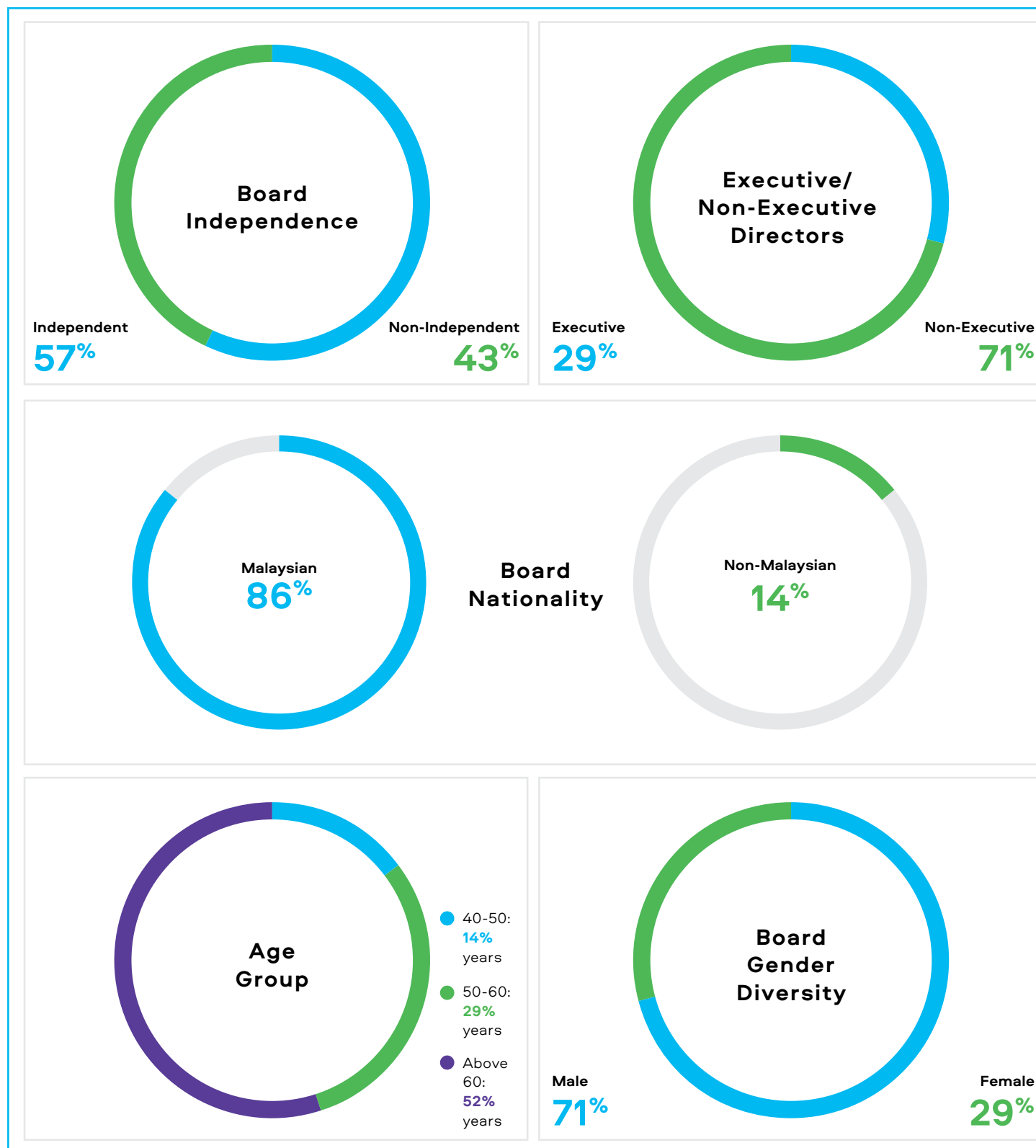
In closing, I would like to take this opportunity to thank my fellow Board members, the Leadership Team and our colleagues in the wider workforce who served during the year for the Group. As we go through 2023, the Board will continue to work with the Leadership Team and our people to deliver on our strategic initiatives while ensuring the well-being of our colleagues and to keep building a successful and sustainable business for all stakeholders.

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

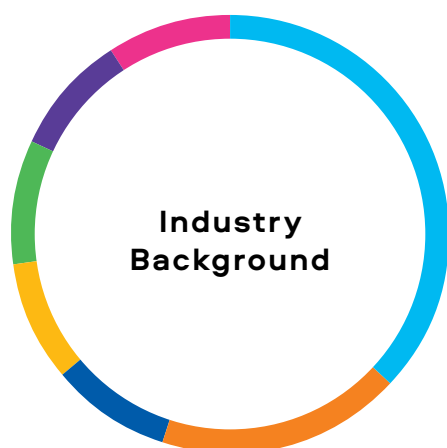
STATEMENT OF COMPLIANCE

The Malaysian Code on Corporate Governance 2021 (MCCG 2021) sets out the principles and intended outcomes relating to good governance in Malaysian listed companies. The Board is committed to good governance and stands guided by the principles and intended outcomes of the Code. Details of our approach to corporate governance and compliance with the Code are found in our Corporate Governance Report 2022, which is available on our corporate website, www.batmalaysia.com.

Corporate Governance Overview Statement

GOVERNANCE AT A GLANCE AS AT 31 DECEMBER 2022

Corporate Governance Overview Statement

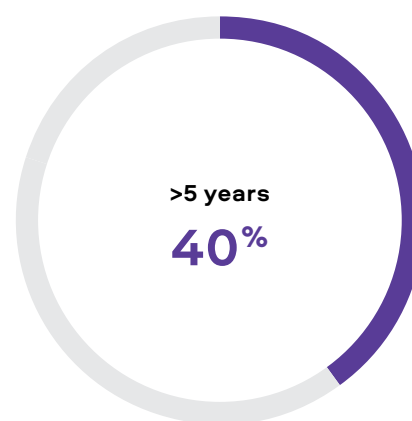
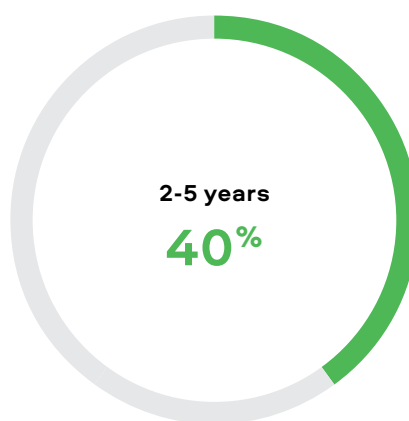


- Consumer Products & Services
- Audit & Assurance
- Public Sector
- Telecommunications & Media
- Financial & Banking
- Energy
- Hospitality



- Accounting
- Finance
- Economy
- Public Affairs
- Public Administration
- Communications
- International Relations
- International Business
- Legal
- Operations

Non-Executive Directors' Tenure



Corporate Governance Overview Statement

Principle A:

BOARD LEADERSHIP AND EFFECTIVENESS

BOARD LEADERSHIP

The Group is led by an effective and entrepreneurial Board, whose role is to promote the long-term sustainable success of the Group, generating value for shareholders and contributing to the wider society. The Board has ultimate responsibility for the overall leadership of the Group. In this role, it oversees the development and delivery of clear strategies for the Group.

At the date of this report, the Board comprises seven Directors: the Chairman, two Executive Directors, three Independent Non-Executive Directors and one Non-Independent Non-Executive Director. The Non-Executive Directors have a broad range of business, financial and international skills and experience, which provide appropriate balance and diversity in the Board.

The Directors' biographical details appear on pages 67 to 73.

The size of the Board allows time for constructive debate on and challenges to the key elements of the Group's performance and strategic initiatives and enables all Directors' views to be heard. The Board monitors operational and financial performance against agreed goals and objectives, ensures that appropriate controls and systems exist to manage risks and that there are financial resources and people with the necessary skills to deliver the strategic goals the Board has set.

The Board maintains a formal schedule of matters reserved for its approval. These matters include approving the Group's strategy and budget, material corporate transactions and the authorisation of capital expenditure above delegated authority limits. This also include matters relating to risk management, dividends, appointing new directors and significant communications to shareholders.

Division of Responsibility

The roles of Chairman and Managing Director are separated with clear written guidelines on the division of responsibilities.

Board Diversity and Experience

The Group is committed to a diverse Board, comprised of Directors from different backgrounds with relevant experience, perspectives, skills and knowledge. We believe that diversity, including gender diversity, among Directors and employees, contributes towards a high performing and effective Board and business, promoting the Group's ongoing success. We strive to maintain the optimal balance, using a meritocratic appointment process.

Conflicts of Interest

A well-established process is in place whereby the Board regularly reviews and monitors potential conflicts of interests. Directors holding significant commitments outside of the Group are required to disclose them prior to appointment and on an ongoing basis when there are any changes. Actual and potential conflicts of interest are included in a register which is maintained by the Company Secretaries and reviewed annually.

BOARD

The Board is collectively responsible for effective oversight of the Company and the helming of the Company's strategic direction and objectives, business plan, viability, and governance structure that will help achieve strategic growth and deliver sustainable shareholders' value.

AUDIT COMMITTEE (AC)

Monitors the integrity of the Group's Financial Statements. Provides oversight of the financial reporting and audit processes. Oversees the Group's system of internal controls and compliance with laws and regulations.

BOARD AND BOARD COMMITTEE MEETING ATTENDANCE FOR 2022

Board of Directors	Tan Sri Dato' Seri Dr. Aseh bin Haji Che Mat Independent Non-Executive Director/Chairman	Nedal Louay Salem Executive Director/Managing Director
Total Meetings Attended	8/8 100%	9/9 100%

BOARD

Chairman

Tan Sri Dato' Seri Dr. Aseh bin Haji Che Mat
Attendance 5/5 (100%)

Members

Nedal Louay Salem
Attendance 5/5 (100%)

Dato' Chan Choon Ngai
Attendance 5/5 (100%)

Eric Ooi Lip Aun
Attendance 5/5 (100%)

Datuk Christine Lee Oi Kuan
Attendance 5/5 (100%)

Norliza binti Kamaruddin
Attendance 4/5 (80%)

Anthony Yong Mun Seng
Attendance 5/5 (100%)

AC

Chairman

Eric Ooi Lip Aun
Attendance 4/4 (100%)

Members

Dato' Chan Choon Ngai
Attendance 4/4 (100%)

Norliza binti Kamaruddin
Attendance 4/4 (100%)

Sustainability Governance

Sustainability at BAT Malaysia is governed by a Sustainability Committee (SC). Chaired by Independent Non-Executive Director Norliza Kamaruddin, the Committee oversees the organisation's sustainability agenda in environmental, social and governance excellence. It is supported by a Chief Sustainability Officer to



The full schedule of matters reserved for the Board can be found in our Board Charter, which is available online at www.batmalaysia.com.

The Board discharges some of its responsibilities directly and others through its Committees. Execution of the strategy and day-to-day management of the Company's business is delegated to the Leadership Team, with the Board retaining responsibility for overseeing, guiding and holding Management to account.

Corporate Governance Overview Statement

**RISK MANAGEMENT
COMMITTEE (RMC)**

Establishes, reviews and monitors the Group's approach to risk management.

**SUSTAINABILITY
COMMITTEE (SC)**

Establishes, reviews and monitors the Group's approach to sustainability.

**NOMINATION AND REMUNERATION
COMMITTEE (NRC)**

Ensures that the Board, its Committees and the Leadership Team have the appropriate skills, knowledge, diversity and experience to operate effectively and to oversee the delivery of the strategy. Determines the reward strategy for the Executive Directors and Leadership Team to align their interests with those of shareholders and employees.

Chairman

Responsible for the orderly conduct and function of the Board

**Non-Independent
Non-Executive
Director (NINED)**

Provide in-depth knowledge and insight from BAT Malaysia's perspective

**Independent
Non-Executive
Directors (INED)**

Provide independent judgement and views

**Managing Director
and Finance Director**

Responsible for the overall operations of the business, organisational effectiveness and the implementation of the Group's strategies and policies

**Senior Independent
Director (SID)**

Acts as the point of contact between Non-Executive Directors and the Chairman, as well as shareholders

**Company
Secretaries**

Responsible for advising the Board and assisting the Chairman in all corporate governance matters

Dato' Chan Choon NgaiSenior Independent
Non-Executive Director**Eric Ooi Lip Aun**Independent
Non-Executive Director**Datuk Christine Lee Oi Kuan**Non-Independent
Non-Executive Director**Norliza binti Kamaruddin**Independent
Non-Executive Director**Anthony Yong Mun Seng**Executive Director/
Finance Director**RMC****Chairman**

Eric Ooi Lip Aun
Attendance **4/4** (100%)

Members

Dato' Chan Choon Ngai
Attendance **4/4** (100%)

Anthony Yong Mun Seng
Attendance **4/4** (100%)

SC**Chairman**

Norliza binti Kamaruddin
Attendance **4/4** (100%)

Members

Datuk Christine Lee Oi Kuan
Attendance **4/4** (100%)

Nedal Louay Salem
Attendance **4/4** (100%)

NRC**Chairman**

Tan Sri Dato' Seri Dr.
Aseh bin Haji Che Mat
Attendance **3/3** (100%)

Members

Dato' Chan Choon Ngai
Attendance **3/3** (100%)

Norliza binti Kamaruddin
Attendance **3/3** (100%)

**Average
Percentage of
Board Meetings
Attended by
Directors****99%**

All Directors have complied with the minimum attendance as stipulated in the MMLR, which is at least 50% of the Board meetings held during the financial year.

manage sustainability strategically, including the integration of sustainability practices into the operations of BAT Malaysia.



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

The Board has four main Committees: the Nomination and Remuneration Committee, the Audit Committee, the Sustainability Committee and the Risk Management Committee. The Terms of Reference (TOR) for each Board Committee can be found at www.batmalaysia.com.

Corporate Governance Overview Statement

PRINCIPAL BOARD ACTIVITIES IN 2022

At every scheduled Board meeting, the Board receives an update from the Leadership Team and the Company Secretaries on financial matters, operational and strategic activities and governance. The table below provides examples of significant matters presented and discussed in the year ended 31 December 2022.

STEP CHANGE IN NEW CATEGORIES* PERFORMANCE

- Reviewed the Group's strategy and approach to implement and accelerate New Categories.

DRIVE VALUE FROM COMBUSTIBLES

- Reviewed the Group's strategy to build a strong portfolio and enable value growth, and
- Reviewed the Group's combustible portfolio to unlock new revenue streams for sustainable growth.

SIMPLIFY THE BUSINESS

- Reviewed the supply chain transformation
- Assessed the accelerators required to deliver the Group's ambition and to evolve into a future-fit, interconnected organisation
- Reviewed compliance and policies
- Reviewed the implementation of operational efficiencies, and
- Reviewed the Group's digital strategy and cybersecurity threat.

SUSTAINABILITY

- Reviewed the evolution of the Group's strategy, placing sustainability front and centre in the Group's activities
- Reviewed the strategy to reduce the health impact of the business
- Reviewed environmental management
- Reviewed positive social impact deliverables, and
- Reviewed sustainability governance.

ACCELERATING TOMORROW'S LEADERS

- Monitored corporate culture and its alignment with the Group's purpose, ethos and strategy
- Reviewed the Group's Leadership Talent, diversity and inclusion, and
- Reviewed the assessment of the effectiveness of the Board and its committees.

Note: * New Categories are reduced-risk categories of products other than combustibles (cigarettes).

BOARD INDUCTION

Following the appointment of a new Director to the Board, the new Director receives a comprehensive induction programme primarily designed with the purpose of onboarding and familiarising the new Director with the Group's business, vision, values, governance and people. The programme also takes into consideration the induction needed for a new Director's appointment in Board Committees.

DIRECTOR	BRIEFING/CONFERENCE/FORUM/SEMINAR/TRAINING/WORKSHOP/WEBINAR ATTENDED
Tan Sri Dato' Seri Dr. Aseh bin Haji Che Mat	Vuse Product Training
	Media Environment Today
	Introduction to Integrated Reporting
Dato' Chan Choon Ngai	Vuse Product Training
	Media Environment Today
	Introduction to Integrated Reporting
Eric Ooi Lip Aun	Vuse Product Training
	Media Environment Today
	Introduction to Integrated Reporting
	Bursa Advocacy Session
	The Effective Board - Integral Components Required for Board Effectiveness
	Webinar on the Audit Committee
	Section 17A of the MACC Act 2009 and Adequate Procedures
	How to be an Effective Non-Executive Director in a Disruptive World
Norliza binti Kamaruddin	Masterclass: Climate Governance from a Risk Viewpoint
	FCD Series Module B: Stakeholder Voice in the Boardroom (Speaker)
	Bespoke Programme : Reputation and Crisis Management (Speaker)
	Audit Oversight Board's Conversation with Audit Committees
	Vuse Product Training
	ESG and Sustainability
	Influencing Stakeholders for Leaders (Speaker)
	Media Environment Today
Datuk Christine Lee Oi Kuan	Introduction to Integrated Reporting
	Bursa Immersive Session: The Board 'Agender'
	Vuse Product Training
	ICDM Powertalk ESG Series #4ESG - Disclosure at a Glance: Key Developments and Future Trends
	ICDM Powertalk ESG Series #5ESG - Climate Change and Carbon: From the Financial Risk & Reporting Perspectives
	ICDM Powertalk Series #6ESG - Characteristics of ESG & Sustainability Leadership
	Media Environment Today
	Introduction to Integrated Reporting
Nedal Louay Salem	Vuse Product Training
	Media Environment Today
	Introduction to Integrated Reporting
Anthony Yong Mun Seng	Vuse Product Training
	Change DNA - Mental Agility & Resilience
	Foundational Learning on Revenue Growth Management Introduction to RGM
	Media Environment Today
	Introduction to Integrated Reporting
	Business Controls
	In the Lead: Results Agility 1.0
	Product Knowledge - Foundation - New Categories - Vapour

Corporate Governance Overview Statement

TRAINING AND DEVELOPMENT

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

BOARD TRAINING

The following training programmes were attended by the Directors during the financial year ended 31 December 2022:

ORGANISER	DATE
BAT Malaysia	31 May 2022
Acendus Communications Sdn Bhd	7 September 2022
Nova Fusion Sdn Bhd	7 September 2022
BAT Malaysia	31 May 2022
Acendus Communications Sdn Bhd	7 September 2022
Nova Fusion Sdn Bhd	7 September 2022
BAT Malaysia	31 May 2022
Acendus Communications Sdn Bhd	7 September 2022
Nova Fusion Sdn Bhd	7 September 2022
Bursa Listing Advisory	20 September 2022
Institute of Corporate Directors Malaysia (ICDM)	11 October 2022
Malaysian Institute of Corporate Governance (MICG)	19 October 2022
Institute of Corporate Directors Malaysia (ICDM)	3 November 2022
Institute of Corporate Directors Malaysia (ICDM)	16 December 2022
Institute of Corporate Directors Malaysia (ICDM)	20 January 2022
Institute of Corporate Directors Malaysia (ICDM)	9-12 March 2022
Institute of Corporate Directors Malaysia (ICDM)	20 March 2022
Securities Commission Malaysia	7 April 2022
BAT Malaysia	31 May 2022
Joshua Rayan Comms	29 July 2022
Institute of Corporate Directors Malaysia (ICDM)	4 & 5 August 2022
Acendus Communications	7 September 2022
Nova Fusion Sdn Bhd	7 September 2022
Bursa Malaysia	1 December 2022
BAT Malaysia	31 May 2022
Institute of Corporate Directors Malaysia (ICDM)	27 July 2022
Institute of Corporate Directors Malaysia (ICDM)	4 August 2022
Institute of Corporate Directors Malaysia (ICDM)	11 August 2022
Acendus Communications Sdn Bhd	7 September 2022
Nova Fusion Sdn Bhd	7 September 2022
BAT Malaysia	31 May 2022
Acendus Communications Sdn Bhd	7 September 2022
Nova Fusion Sdn Bhd	7 September 2022
BAT Malaysia	31 May 2022
BAT SEA	4 August 2022
BAT SEA	29 August 2022
Acendus Communications Sdn Bhd	7 September 2022
Nova Fusion Sdn Bhd	7 September 2022
BAT Malaysia	26 September 2022
BAT SEA	27 September 2022
BAT Global	23 December 2022

FINANCIAL AND RISK

- Approval of Group's budget and oversight of resource allocation activities to support strategy execution.
- Reviewed the financial performance and business outlook.
- Assessed cost optimisation and unlocking of revenue to support investments.
- Reviewed compliance with the Group's financial principles.
- Reviewed the Group's risks appetite; emerging risks to the Group and mitigation plans in place.
- Reviewed the Group's revolving credit facilities and cashflows.

RISK

Management of Principal Risks

The Board deliberated and approved the Group's principal risks that might significantly impact its business goals and targets. The Board constantly monitored the agreed mitigations to manage or reduce the likelihood and impact of these principal risks. Key risk indicators that provide early warnings of risk manifestation were also reported to the Board.

In addition, various emerging risks or opportunities resulting from complex internal and external environments were also identified and reported to the Board and subsequently determined if they should be included as one of the principal risks under the Group Corporate Risk Profile.

To ensure risks undertaken in pursuit of business objectives were within the Board's acceptable levels, the Board approved the Group's risk appetite, which sets its key operational boundaries.

CORPORATE GOVERNANCE
AND COMPLIANCERelated Party Transactions (RPT) and
Recurrent Related Party Transactions (RRPT)

The Board reviewed the Group's RPT and RRPT to ensure all transactions are at arm's length and were carried out on normal commercial terms and not to the detriment of the minority shareholders.

During the period from 1 January 2022 to 31 December 2022, the Group entered and duly completed contracts for seven RPT/RRPT, which were reported to the AC on a quarterly basis.

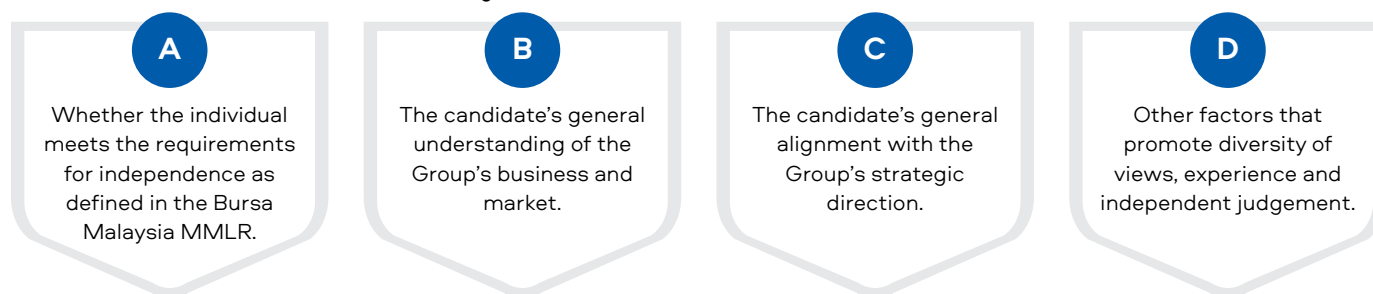
Corporate Governance Overview Statement

BOARD APPOINTMENTS

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

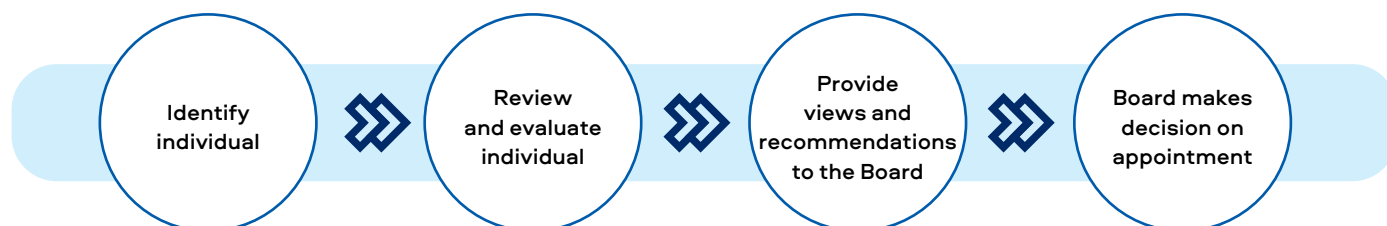
The NRC is entrusted with the responsibility of assessing and considering the capabilities, professionalism, integrity, expertise and experience of candidates to be appointed as Board members and Board Committee members, taking into account the existing structure, size, gender diversity, time commitment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

The NRC also takes into consideration the following:



The NRC uses independent executive search firms and/or recommendations from existing Board members, Management and major shareholders. As part of a Fit and Proper Policy adopted in 2022, which must be complied with for all appointments and re-appointments of Directors to the Board, the Company Secretaries 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 Board member. 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:



RE-APPOINTMENT AND RE-ELECTION OF DIRECTORS

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

In ensuring the Directors to be re-elected are fit and capable to continue their position as a Director, the NRC had engaged the Institute of Corporate Directors Malaysia (ICDM) to perform the fit and proper assessment in accordance with the Fit and Proper Policy of the Company.

With that, the Board, with the recommendations of the NRC, collectively resolved to recommend to the shareholders to vote in favour for the re-election of the following Directors who would be retiring pursuant to Clause 109.1 at the 62nd AGM of the Company:

- Re-election of Tan Sri Dato' Seri Dr. Aseh bin Haji Che Mat
- Re-election of Dato' Chan Choon Ngai
- Re-election of Eric Ooi Lip Aun

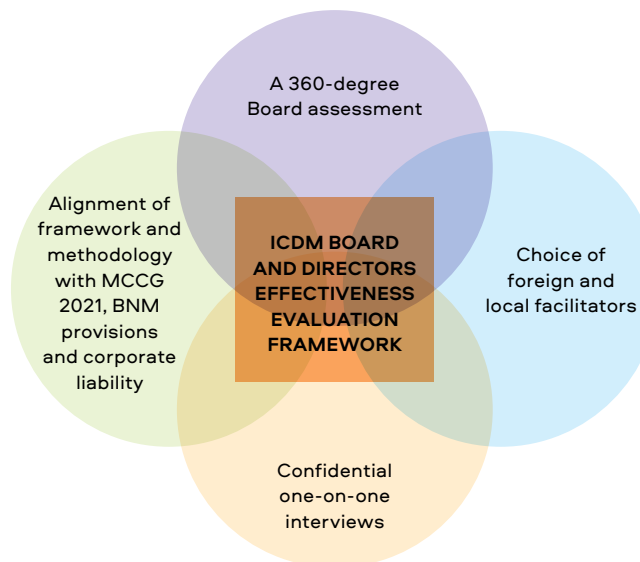
Corporate Governance Overview Statement

ANNUAL PERFORMANCE ASSESSMENTS

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

During the period under review, the annual assessment, namely the Board and Directors Effectiveness Evaluation (BDEE), was externally facilitated and conducted by the ICDM. The evaluation was conducted through a combination of one-on-one confidential interviews, sighting of governance documents in confidentiality, online surveys, and peer reviews and Board-working facilitation.

A comprehensive assessment framework encompassing the following areas was used:



ICDM'S COMPREHENSIVE BDEE PROCESSES

Documentation Review

Online Questionnaires

Confidential Interviews

Observations

Facilitated Dialogue

CONCLUSIONS OF THE 2022 REVIEW

Overall, the results of the evaluation were satisfactory. When ranked in order of strength, Board Sustainability Matters, Board Governance Oversight and Processes and Board Agenda, Meetings and Information were identified as being the strongest. Board Leadership and Board

Composition, Skills and Development were identified as items for development in 2023.

The findings and evaluation results were reviewed by the NRC on 31 January 2023 and subsequently presented to the Board on 8 February 2023.

Corporate Governance Overview Statement

REMUNERATION

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

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

In evaluating the Managing Director's remuneration, the NRC also considers corporate and individual performance, as well as performance on a range of other factors, including accomplishment of strategic goals, and regional and global corporate performance. The remuneration package for the Directors comprises the following elements, where applicable:

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

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

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

During the year under review, BAT Malaysia has engaged Datuk Christine Lee Oi Kuan to provide consultancy services to BAT Malaysia from 1 January 2022 to 30 June 2022.

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

Corporate Governance Overview Statement

The details of the Director's remuneration, comprising remuneration received/receivable from the Group for the financial year ended 31 December 2022, are as follows:

Directors	Fee (RM'000)		Allowance (RM'000)		Salary (RM'000)		Bonus (RM'000)		Benefits-in-kind*		Other emoluments**		Total (RM'000)
	Company	Subsidiaries	Company	Subsidiaries	Company	Subsidiaries	Company	Subsidiaries	Company	Subsidiaries	Company	Subsidiaries	
Independent Non-Executive Directors													
Tan Sri Dato' Seri Dr. Aseh bin Haji Che Mat	345	-	154	-	-	-	-	-	-	-	-	-	499
Dato' Chan Choon Ngai	100	-	11	-	-	-	-	-	-	-	-	-	111
Eric Ooi Lip Aun	120	-	8	-	-	-	-	-	-	-	-	-	128
Norliza binti Kamaruddin	110	-	11	-	-	-	-	-	-	-	-	-	121
Non-Independent Non-Executive Director													
Datuk Christine Lee Oi Kuan	100	-	4	-	-	-	-	-	-	-	270	-	374
Executive Directors													
Nedal Louay Salem	-	-	-	-	988	-	116	-	323	-	873	-	2,300
Anthony Yong Mun Seng	-	-	-	-	826	-	60	-	194	-	620	-	1,700
Total (RM'000)	775	-	188	-	1,814	-	176	-	517	-	1,763	-	5,233

The remuneration of the Leadership Team for the financial year ended 31 December 2022 are as follows:

Name	Range of Remuneration
CK Remeena Prabhakaran	1,600,000 – 1,650,000
Bryce Matthew Green	1,150,000 – 1,200,000
Fairuz Helmi	1,050,000 – 1,100,000
Rohan Gnanaganesan	850,000 – 900,000
Michael Tan Heng Chai	600,000 – 650,000

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

Corporate Governance Overview Statement

NOMINATION AND REMUNERATION COMMITTEE REPORT



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

TERMS OF REFERENCE

The TOR of the NRC are available in the Corporate Governance section of the Company's website at www.batmalaysia.com

COMPOSITIONS & MEETINGS

Refer to page 83

ATTENDANCE

Refer to page 83

SUMMARY OF ACTIVITIES

The NRC carried out and/or deliberated on the following during the financial year ended 31 December 2022:

- Recommended the re-election of Directors at the 61st AGM to the Board for consideration.
- Reviewed the analysis/findings of the Directors' performance assessment of the Board, Board Committees and individual Directors for 2021.
- Reviewed the tenure of the Independent Non-Executive Director.
- Reviewed the appointment and remuneration of the Leadership Team.
- Reviewed the NRC Report for inclusion in the Annual Report 2021.
- Reviewed the fees and benefits of Non-Executive Directors.
- Reviewed and approved the annual bonus, salary increments and remuneration package for the Leadership Team.

SUSTAINABILITY COMMITTEE REPORT



Norliza binti Kamaruddin
(Chairwoman)

TERMS OF REFERENCE

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

COMPOSITIONS & MEETINGS

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SUMMARY OF ACTIVITIES

The SC carried out and/or deliberated on the following during the financial year ended 31 December 2022:

- Continuously reviewed the Group's sustainability strategy and its delivery through the achievement of KPIs set for 2022.
- Reviewed the Group's sustainability initiatives and activities in relation to harm reduction and the environmental, social and governance priorities.
- Reviewed the Group's community investment strategy and approved the launch of the pilot programme of the flagship community investment project.
- Reviewed and approved the governance process developed for the implementation of the community investment project.

Corporate Governance Overview Statement

Principle B:

EFFECTIVE AUDIT AND RISK MANAGEMENT

AUDIT COMMITTEE REPORT



Eric Ooi Lip Aun
(Chairman)

TERMS OF REFERENCE

The TOR of the AC are available in the Corporate Governance section of the Company's website at www.batmalaysia.com

COMPOSITIONS & MEETINGS

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ATTENDANCE

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The AC has presented the AC Report for the financial year ended 31 December 2022.

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

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

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

SUMMARY OF ACTIVITIES

The AC carried out the following activities during the financial year ended 31 December 2022:

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

- Reviewed the 2022 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.
- 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.
- Reviewed the internal control processes and considered recommendations and improvements to be implemented by Management arising from the audit findings.
- Reviewed the implementation status of agreed audit actions to ensure timely implementation by Management.

3. External Audit

- Reviewed the external auditors' report which summarised key findings arising from the audit of the financial statements for the year ended 31 December 2021 and reviewed the Directors' Statement on Risk Management and Internal Control.
- Reviewed with the external auditors their audit plan for the financial year ended 31 December 2022, which outlined audit materiality, audit scope, methodology and timing of audit, key milestones, involvement of IT specialists, audit focus areas including tax audit, route-to-market, considerations 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 2022.
- Reviewed the written assurance provided by the external auditors in respect of their independence.
- Met with the external auditors twice without the presence of the Executive Directors and Management during the year under review.

Corporate Governance Overview Statement

4. Related Party Transactions

- Reviewed and discussed reports on RPT, RRPT and possible conflict of interest transactions to ensure that all RPT and RRPT were undertaken on an arm's length basis and on normal commercial terms, consistent with the Group's usual business practices and policies, which were not more favourable than those generally available to the public and other suppliers and were not detrimental to the minority shareholders.
- Monitored the threshold of the RPT and RRPT to ensure compliance with the Bursa Malaysia MMLR.
- 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.

5. Annual Reporting

Reviewed and endorsed the AC Report, Standards of Business Conduct Statement and Statement on Risk Management and Internal Control for the Board's approval and inclusion in the Annual Report 2021.

6. Other Activities

- Deliberated on the Group's two-year cashflow forecast.
- Deliberated on reports on whistleblowing and breaches of the Standards of Business Conduct incidents.
- Deliberated on security and safety matters and loss reports.
- Assessed the performance of the internal auditors and external auditors.
- Deliberated on environmental, health and safety review reports.
- Deliberated on reports on the Control Navigator and Immediately Reportable Incidents.
- Deliberated on reports on financial record-keeping and reporting under the Sarbanes-Oxley Act.
- Conducted a self-assessment on the performance of the AC through an independent external evaluator.
- Deliberated on KPMG PLT's Inaugural Audit Transparency Report.

INTERNAL AUDIT FUNCTION

The function of Internal Audit for the Group is fulfilled through the Global Audit function of BAT p.l.c. Group Internal Audit. BAT p.l.c. Group Internal Audit has direct access to both the AC and the AC Chairman and reports on all matters related to controls and audit findings to the AC. BAT p.l.c. Group Internal Audit assists the AC in reviewing the effectiveness of the Group's internal controls and processes, while ensuring that there is an appropriate balance of risk and control in achieving its business objectives. 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.

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

As a permanent invitee to the AC, Imad Rahman manages the remit of internal audit at BAT Malaysia. He holds a Bachelor's degree in Business Administration as well as Master of Business Administration majoring in Finance.

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

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

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

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

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

During the financial year 2022, the subject matter of audits conducted by the BAT p.l.c. Group Internal Audit was as follows:

- Brand Management and Activation

Additionally, there were certain IT application and system-related audits carried out at Global level which provided assurance on the Group's IT control environment.

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

Corporate Governance Overview Statement

RISK MANAGEMENT COMMITTEE REPORT



Eric Ooi Lip Aun
(Chairman)

TERMS OF REFERENCE

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

COMPOSITIONS & MEETINGS

Refer to page 83

ATTENDANCE

Refer to page 83

SUMMARY OF ACTIVITIES

The RMC carried out and/or deliberated on the following during the financial year ended 31 December 2022:

- Reviewed the Group's Risk Management Programme, which includes the Group's Top 20 risks and mitigating actions to ensure that all major risks were well managed and reported to the Board.
- Reviewed the Group's business continuity plans as part of its business continuity management.
- Conducted robust risk assessments and reviewed mitigation plans for a new product category launch.

Corporate Governance Overview Statement

ETHICAL AND PROCEDURAL

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

A. STANDARDS OF BUSINESS CONDUCT

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

B. SUPPLIER CODE OF CONDUCT

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

C. COMMUNITY INVESTMENT FRAMEWORK

This framework sets out the Company's approach to community investment in the context of the Company's sustainability agenda. It provides guidance on how the Company should develop, deliver and monitor community investments, aligned with the BAT p.l.c.'s Community Investment Framework and the United Nations Sustainable Development Goals (UN SDGs).

D. INTERNAL REGULATIONS ON SECURITIES DEALINGS

The regulations were put in place as part of the compliance with the stock exchange requirement under the Capital Markets and Services Act 2007. The regulations ensure that designated insiders and persons connected to such insiders do not abuse, and do not place themselves under suspicion of abusing, price-sensitive information learned from their work for personal gain, in transactions whether on or off the stock market.

Corporate Governance Overview Statement

STANDARDS

E. GLOBAL ENVIRONMENTAL, HEALTH AND SAFETY POLICY MANUAL

This policy sets out the Group's commitment to be an environmentally responsible business and implementing environmental management standards and practices internally, through the global environmental, health and safety management system, which has been designed using the international environmental system standard ISO 14001.

F. SECURITY PROCEDURE

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

G. CONTRACT MANAGEMENT POLICY

This Policy sets out Group mandatory requirements for the management of all stages of a contracting process.

H. INTERNATIONAL MARKETING PRINCIPLES

These Principles are the Group's internal framework in governing all aspects of marketing of the Group's products.

I. GROUP DATA PRIVACY PROCEDURE

This Procedure governs how the Group uses personal data belonging to individuals the Group deals with on a daily basis, including consumers, employees, visitors to the Group's website and third parties the Group does business with.

AN ECOSYSTEM OF INTEGRITY AND ACCOUNTABILITY



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

J. POLICY ON DATA PROTECTION

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

K. POLICY ON INDIRECT PROCUREMENT

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

L. THIRD PARTY ANTI-FINANCIAL CRIME PROCEDURE

This Procedure is designed to assess and mitigate Third Party risks regarding:

- bribery and corruption
- money laundering
- terrorist financing
- illicit trade (supply chain compliance)
- sanctions
- the facilitation of tax evasion

Corporate Governance Overview Statement

Principle C:

EFFECTIVE COMMUNICATIONS WITH STAKEHOLDERS

INTEGRITY IN CORPORATE REPORTING AND MEANINGFUL RELATIONSHIPS WITH STAKEHOLDERS

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

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

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

In view of the COVID-19 restrictions, the engagement programme was adapted to leverage digital interaction, enabling more investor contact through a broader range of event formats. During the financial year ended 31 December 2022, the Company held four quarterly briefings and continue to engage with fund managers, institutional investors and investment analysts.

The primary contact for investor relation matters is as follows:

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

CONDUCT OF GENERAL MEETINGS

The Company acknowledges that good corporate governance requires active participation of the shareholders in the decision-making process at the Company's AGM. The AGM is the principal forum for dialogue and communication between the shareholders and the Board. The 61st AGM was conducted on 27 April 2022 and the shareholders participated in the AGM remotely. They submitted questions and deliberated on the proposed resolutions of the Group or on the Group's operations using the Remote Participation and Voting (RPV) facilities. This demonstrated the Company's commitment to shareholders, while taking every precaution to safeguard shareholders' safety and well-being in light of the pandemic.

All members of the Board were present and answered questions posed, where possible, and the Company provided email responses to questions that were not addressed during the AGM within five working days from the date of the 61st AGM.

Additionally, detailed answers on questions raised by the Minority Shareholders Watch Group (MSWG) were shared with all shareholders during the 61st AGM.

The Notice of the 61st AGM (Notice) was issued to shareholders at least 28 days prior to the 61st AGM, which allowed shareholders sufficient time to make the necessary arrangements to attend the 61st AGM or to appoint a proxy or proxies to participate and vote on their behalf. The Notice was published in the local English, Bahasa Malaysia and Chinese newspapers and made available on the Company's website at www.batmalaysia.com.

The summary of the 61st AGM (including the attendance of Directors, questions raised by shareholders and the respective responses, outcomes of the online voting (e-voting) results and replies to the MSWG's queries) was made available to the shareholders and the public at www.batmalaysia.com.

REMOTE E-VOTING

The Company had RPV facilities in place to facilitate remote e-voting on the resolutions at its 61st AGM. All resolutions set out in the Notice were voted on remotely using the RPV facilities. The remote e-voting processes were explained during the general meeting and the remote e-voting poll results were verified by appointed scrutineers.

KEY FOCUS AREAS AND FUTURE PRIORITIES

The Board is fully committed to complying with the requirements of the MCCG 2021 and will continue to pursue efforts to address the remaining departures. Though we continue to make strides in our corporate governance journey, the Board recognises that our governance practices will only be as strong as the people entrusted with implementing them.

This Corporate Governance Overview Statement was approved by the Board of Directors at its meeting held on 8 February 2023.

Statement on Risk Management and Internal Control

RESPONSIBILITY

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

The Board tasked the Management to identify and assess the risks faced by the Group, and thereafter design, implement and monitor appropriate internal controls to control and mitigate those risks. The Group has in place a systematic application of processes (outlined below) for identifying, evaluating, monitoring and managing significant risks faced by the Group, and this process includes reviewing and updating the system of internal controls to take into consideration changes in the regulatory, business and external environment. This process is reviewed by the Board via

the Audit Committee and the Risk Management Committee. The Audit Committee's responsibilities and duties can be found in the Audit Committee Report section, while the Risk Management Committee's responsibilities are explained in the Risk Management Committee Report section of this Annual Report.

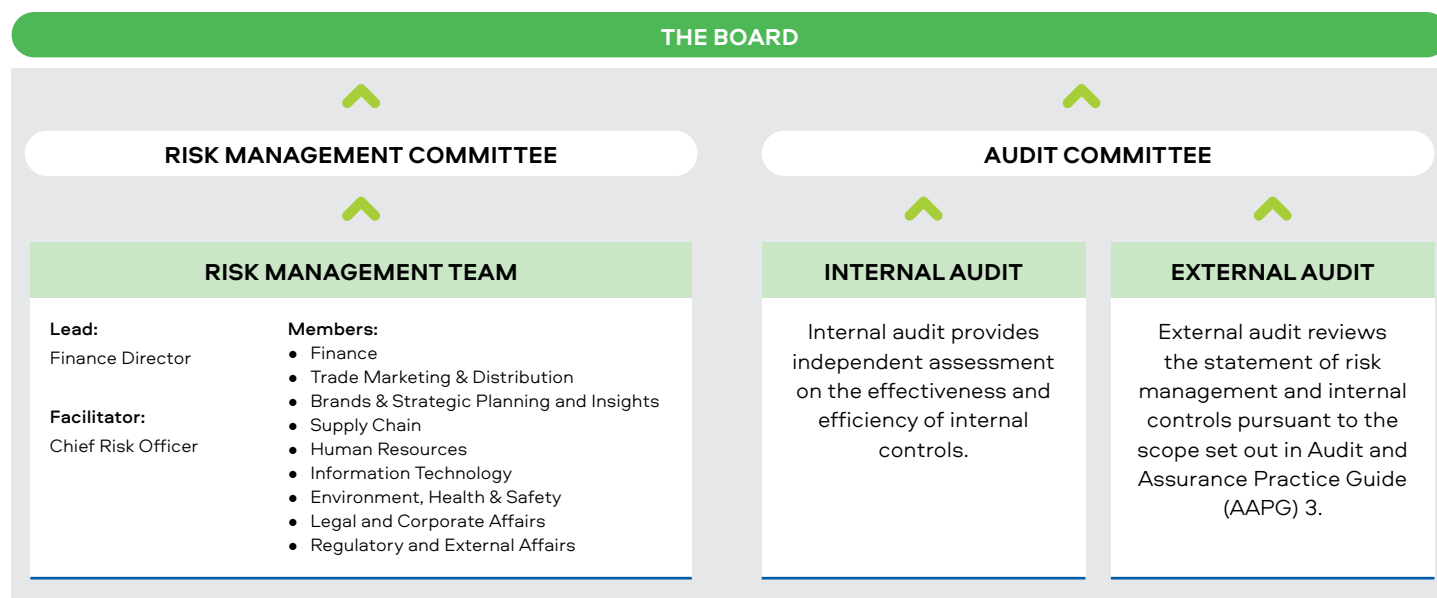
There are inherent limitations to any system of internal control and the system which is set up to manage and minimise impact due to risks rather than completely eliminate risks that may impact the achievement of the Group's business objectives. Accordingly, it can only provide reasonable but not absolute 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 stakeholders.
Promote a risk awareness culture where risk management is an integral aspect of the Group's management systems.
Ensure compliance all applicable laws, the Malaysian Code of Corporate Governance and BAT p.l.c. guidelines.

Statement on Risk Management and Internal Control



Risk Management Committee

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

Risk Management Team

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

RISK MANAGEMENT TEAM RESPONSIBILITIES

Steer the Group's enterprise risk management programme.

Promote a proactive risk awareness culture in the Group.

Conduct an annual review of 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

Four-phase Enterprise Risk Management Process (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 Assessment and Evaluation

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

- LIKELIHOOD of the risks crystallising
- IMPACT of the consequence

Assessment against a set of pre-specified criteria on a scale of 1 to 3 is completed for both Likelihood and Impact, the combination of which provides the total risk rating, ranging from 1 to 9. Risks are then categorised on a 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.

FIGURE 1: ENTERPRISE RISK MANAGEMENT PROCESS

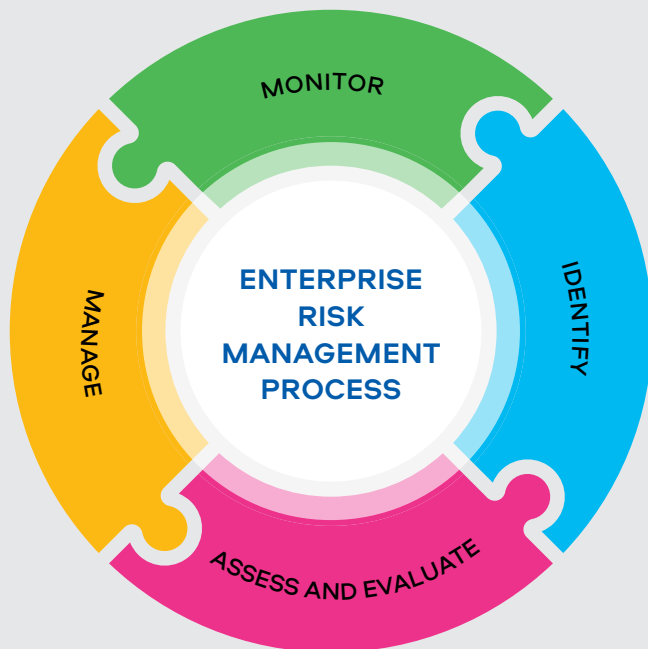


FIGURE 2: RISK HEAT MAP

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

Statement on Risk Management and Internal Control

(3) Risk Management

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.

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

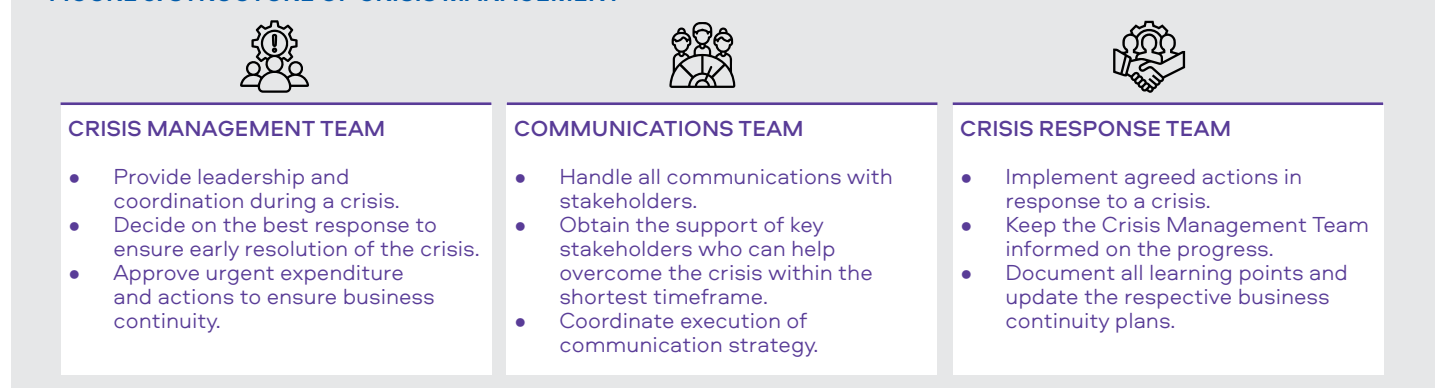
RISK MANAGEMENT MEASURES	DESCRIPTION	EXAMPLE
TOLERATE	Accept or retain the risk, taking the chance of it occurring with its full impact, when all cost-effective control measures have been put in place	Translational foreign exchange rate exposures
TREAT	Control or reduce the risk to constrain it to an acceptable impact and/or likelihood level	Reducing levels of stock in a distributor's warehouse helps to reduce impact Implementing a new system to develop innovations reduce the likelihood of failing to develop new consumer-relevant products
TRANSFER	Insure or contract to a third party	Insuring the value of stocks in warehouses Business interruption policies
TERMINATE	Avoid or eliminate the activity that gives rise to the risk (make the uncertain certain by removing the risk)	Stop using chemicals which are unacceptable to the organisation Exiting certain markets

(4) Risk Monitoring

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

Statement on Risk Management and Internal Control

FIGURE 3: STRUCTURE OF CRISIS MANAGEMENT



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 continue business operations at an acceptable pre-defined level to avoid negative impact on the business.

In 2022, the Group had 16 Business Continuity Plans (BCPs) in place to manage the various potential disruptions that could impact the Group. Examples are the Office Recovery Plan, Finished Goods Contingency Plan, IT Recovery Plan, Loss of Key Personnel Plan and Pandemic Plan.

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

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

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

KEY RISKS TO THE GROUP

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

1. Threat from illegal trade for tobacco
2. Adverse tobacco regulations
3. Threat from illegal vapour products

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

2022 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 2022. The team monitored the progress of key activities for the year, including the progress of the BCPs testing. On top of that, the Risk Management Team updated the Leadership Team on the progress of the mitigation actions on a monthly basis.

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

Promotion of Risk Awareness

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

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

Crisis Management Activation

In 2020, the Crisis Management and Crisis Response Teams were activated in response to the COVID-19 pandemic. The Crisis Management and Response Teams remained active in 2022 and had taken measures to protect the employees and assets of the Group, and ensure the continuity of its business by:

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

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

Statement on Risk Management and Internal Control

Significant Risk Mitigation Activities

There were no significant risk mitigation activities required to be carried out in 2022.

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 16 BCPs.

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

SYSTEM OF INTERNAL CONTROL

Control Self-Assessment (CSA) Process

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

The self-assessment is carried out via an 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 workflows, 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 2022, the Group's Control Navigator was refreshed and updated.

Financial Reporting Controls

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

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

Information Technology (IT)

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).

FIGURE 4: IT SECURITY PROGRAMME



Statement on Risk Management and Internal Control

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 the likelihood of an attack. The preventive activities cover technology hygiene in terms of compliance with 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.

Internal Audit

The role of Internal Audit for the Group is fulfilled through the Global Audit function of BAT 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. 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 BAT p.l.c. Group Internal Audit undertakes risk-based audit reviews structured in line with the operating model of the BAT p.l.c. Group. As such, five types of audits exist, namely Process Audits (including IT), Audits of Change, End Market Accountability Audits, Operations Audits and Other Audits.

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

More details on the audit activities conducted during the year can be found in the Audit Committee Report in this 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 judgement, 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 meets the external auditors without the Executive Directors and Management being present. This year, the Audit Committee have met twice with the external auditors without the Executive Directors and the Management being present.

Other Key Elements of the System of Internal Control

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

a. Policies, Procedures and Limits of Authority

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

b. Immediately Reportable Incidents

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

c. Strategic Business Plan, Budget and Performance Review

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

d. Insurance and Physical Safeguard

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

Statement on Risk Management and Internal Control

Sarbanes-Oxley Act

As a result of the acquisition of Reynolds American Incorporated (RAI), BAT p.l.c. is subject to US securities law, including the Sarbanes-Oxley Act of 2002 (the Act). BAT p.l.c. has assigned the 11 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 BAT p.l.c. during the year. The Group, being part of BAT p.l.c., is required to implement additional internal controls and procedures to deliver a heightened control environment.

CONTROL MATTERS

No significant deficiency or material weakness were reported in 2022.

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 2022 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 2022 Annual Report.

This Statement is made in accordance with the resolution of the Board of Directors on 8 February 2023.

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 2022, 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.
- (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.

Other Compliance Information

1. UTILISATION OF PROCEEDS

There were no proceeds raised by the Company from any corporate proposal during the financial year ended 31 December 2022.

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 2022, are as follows:

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

3. MATERIAL CONTRACTS INVOLVING DIRECTORS AND MAJOR SHAREHOLDERS' INTERESTS

There were no material contracts entered into by the Group involving Directors and Major Shareholders' interests, either still subsisting at the end of the financial year ended 31 December 2022 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 Sixty-First (61st) Annual General Meeting held on 27 April 2022, 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 29 March 2022). The Recurrent RPTs conducted during the financial year ended 31 December 2022 pursuant to the said mandate are disclosed in pages 177 to 179 of this Report.

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Proxy Form





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 2022

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 2022.

Principal Activities

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

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

Results

	Group RM'000	Company RM'000
Profit for the year attributable to Shareholders of the Company	262,519	264,501

Reserves and Provisions

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

Dividends

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

- i) fourth interim ordinary dividend of 27 sen per ordinary share totalling RM77,093,100 in respect of the financial year ended 31 December 2021 on 4 March 2022.
- ii) first interim ordinary dividend of 17 sen per ordinary share totalling RM48,540,100 in respect of the financial year ended 31 December 2022 on 24 June 2022.
- iii) second interim ordinary dividend of 25 sen per ordinary share totalling RM71,382,500 in respect of the financial year ended 31 December 2022 on 18 August 2022.
- iv) third interim ordinary dividend of 25 sen per ordinary share totalling RM71,382,500 in respect of the financial year ended 31 December 2022 on 21 November 2022.

The Directors declared a fourth interim ordinary dividend of 21 sen per ordinary share at the Board of Directors' meeting on 8 February 2023 amounting to RM59,961,300 in respect of the financial year ended 31 December 2022 which will be paid on 7 March 2023 to shareholders registered in the Company's Register of Members at the close of business on 23 February 2023. These financial statements do not reflect the fourth interim ordinary dividend which will be accounted for in the financial year ending 31 December 2023.

The Board of Directors do not recommend the payment of a final dividend in respect of the financial year ended 31 December 2022.

Directors' Report

for the year ended 31 December 2022

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 Lee Oi Kuan (f)
 Eric Ooi Lip Aun
 Nedal Louay Salem
 Anthony Yong Mun Seng
 Norliza Binti Kamaruddin (f)

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:

C.K. Remeena A/P C.K. Prabhakaran (f)
 Bryce Matthew Green
 Rohan Gnanaganesan
 Michael Tan Heng Chai (Appointed on 1 March 2022)
 Genevieve Hiew (f) (Resigned on 1 March 2022)

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 1.1.2022	Bought	Sold	At 31.12.2022
Company				
Shareholdings in the name of the Director:				
Dato' Chan Choon Ngai	1,000	-	-	1,000
Datuk Lee Oi Kuan (f)	100	-	-	100

	Number of ordinary shares in British American Tobacco p.l.c.			
	At 1.1.2022	Bought	Sold	At 31.12.2022

Ultimate Holding Company

- British American Tobacco p.l.c.

Shareholdings in the name of the Director:

Datuk Lee Oi Kuan (f)	32,848	2,175	-	35,023
Nedal Louay Salem	49,000	1,767	(1,767)	49,000
Anthony Yong Mun Seng	-	276	-	276

Directors' Report

for the year ended 31 December 2022

Directors' Interests in Shares (continued)

	Number of ordinary shares in British American Tobacco p.l.c.			
	At 1.1.2022	Awarded	Vested	At 31.12.2022
Ultimate Holding Company				
- British American Tobacco p.l.c.				
Deferred Share Bonus Scheme & International Share Reward Scheme				
Shareholdings in the name of the Director:				
Nedal Louay Salem	5,687	2,066	(1,988)	5,765
Anthony Yong Mun Seng	2,715	1,233	(510)	3,438

	Number of options in ordinary shares in British American Tobacco p.l.c.			
	At 1.1.2022	Granted	Exercised	At 31.12.2022
Ultimate Holding Company				
- British American Tobacco p.l.c.				
Long-Term Incentive Plan (LTIP)				
Shareholdings in the name of the Director:				
Nedal Louay Salem				
LTIP (28 March 2029)	2,796	-	(2,796)	-
LTIP (30 March 2030)	1,986	-	-	1,986
LTIP (29 March 2031)	1,942	-	-	1,942
LTIP (25 March 2032)	-	7,146	-	7,146
Anthony Yong Mun Seng				
LTIP (25 March 2032)	-	1,924	-	1,924

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 22 to the financial statements.

Directors' Report

for the year ended 31 December 2022

Directors' Benefits

Since the end of the previous financial year, no Director has received nor become entitled to receive any benefit (other than those shown below) 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.

The Directors' benefits paid to or receivable by Directors in respect of the financial year ended 31 December 2022 are as follows:

	From the Company RM'000
Directors of the Company:	
Fees	775
Other emoluments	4,460
	5,235

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 22 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 capacities 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 RM4,369,404 and RM11,589 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.

Directors' Report

for the year ended 31 December 2022

Other Statutory Information (continued)

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

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

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 2022 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.

Directors' Report

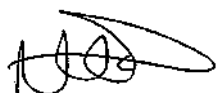
for the year ended 31 December 2022

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 of the Group and of the Company during the year are RM796,450 and RM646,300 respectively as disclosed in Note 4 to the financial statements.

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



Nedal Louay Salem
Managing Director



Anthony Yong Mun Seng
Finance Director

Kuala Lumpur

Date: 20 February 2023

Statements of Profit or Loss

for the year ended 31 December 2022

	Note	Group		Company	
		2022 RM'000	2021 RM'000	2022 RM'000	2021 RM'000
Revenue	3	2,596,574	2,637,255	275,715	276,920
Cost of sales		(1,918,614)	(1,962,415)	-	-
Gross profit		677,960	674,840	275,715	276,920
Other operating income		3,931	638	709	345
Distribution and marketing costs		(159,861)	(158,024)	-	-
Administrative expenses		(96,158)	(99,048)	(3,092)	(8,642)
Other operating expenses		(18,783)	(7,211)	-	-
Profit from operations		407,089	411,195	273,332	268,623
Finance costs		(21,677)	(17,078)	(6,920)	(4,419)
Profit before tax	4	385,412	394,117	266,412	264,204
Tax expense	7	(122,893)	(109,256)	(1,911)	(2,249)
Profit for the year		262,519	284,861	264,501	261,955

The notes on pages 123 to 179 are an integral part of these financial statements.

Statements of Other Comprehensive Income

for the year ended 31 December 2022

	Note	Group		Company	
		2022 RM'000	2021 RM'000	2022 RM'000	2021 RM'000
Profit for the year		262,519	284,861	264,501	261,955
Other comprehensive income, net of tax:					
Items that may be subsequently reclassified to profit or loss					
- changes in fair value of cash flow hedges	20	648	6,370	-	-
- deferred tax on fair value changes on cash flow hedges	14	(154)	(1,529)	-	-
Total other comprehensive income for the financial year, net of tax		494	4,841	-	-
Total comprehensive income for the financial year		263,013	289,702	264,501	261,955
Profit attributable to:					
Shareholders of the Company		262,519	284,861	264,501	261,955
Total comprehensive income for the financial year attributable to:					
Shareholders of the Company		263,013	289,702	264,501	261,955
Basic earnings per ordinary share (sen)	8	91.9	99.8		

The notes on pages 123 to 179 are an integral part of these financial statements.

Statements of Financial Position

as at 31 December 2022

	Note	Group	Company		
		2022 RM'000	2021 RM'000	2022 RM'000	2021 RM'000
Assets					
Property, plant and equipment	10	56,282	46,445	24,822	24,880
Computer software	11	3,027	3,271	-	-
Goodwill	12	411,618	411,618	-	-
Subsidiaries	13	-	-	723,395	723,395
Deferred tax assets	14	7,812	6,220	1,583	1,644
Total non-current assets		478,739	467,554	749,800	749,919
Inventories	15	55,975	177,641	-	-
Tax recoverable		2,171	1,540	-	38
Trade and other receivables	16	803,772	723,030	12,446	16,157
Derivative financial instruments	20	1,928	456	-	-
Cash and bank balances		16,636	21,827	6,464	18,593
Total current assets		880,482	924,494	18,910	34,788
Total assets		1,359,221	1,392,048	768,710	784,707
Equity					
Share capital		142,765	142,765	142,765	142,765
Cash flow hedge reserve		164	(330)	-	-
Retained earnings		234,207	240,087	327,605	331,503
Total equity attributable to the owners of the Company	17	377,136	382,522	470,370	474,268
Liabilities					
Lease liabilities	21	21,644	14,638	13,324	13,943
Total non-current liabilities		21,644	14,638	13,324	13,943
Trade and other payables	18	212,264	190,960	278,793	293,187
Borrowings	19	695,000	775,000	-	-
Derivative financial instruments	20	1,606	842	-	-
Lease liabilities	21	12,118	5,274	4,818	3,309
Current tax liabilities		39,453	22,812	1,405	-
Total current liabilities		960,441	994,888	285,016	296,496
Total liabilities		982,085	1,009,526	298,340	310,439
Total equity and liabilities		1,359,221	1,392,048	768,710	784,707

The notes on pages 123 to 179 are an integral part of these financial statements.

Consolidated Statement of Changes in Equity

for the year ended 31 December 2022

	Note	Non-distributable			Distributable	Total RM'000
		Share capital RM'000	Cash flow hedge reserve RM'000	Share-based payment reserve RM'000	Retained earnings RM'000	
Group						
At 1 January 2022		142,765	(330)	-	240,087	382,522
Profit for the year		-	-	-	262,519	262,519
Other comprehensive income/ (expense):						
- changes in fair value of cash flow hedges	20	-	648	-	-	648
- deferred tax on fair value changes on cash flow hedges	14	-	(154)	-	-	(154)
Total comprehensive income		-	494	-	262,519	263,013
Transactions with shareholders:						
Expense arising from equity-settled share-based payment transactions	22	-	-	2,286	-	2,286
Recharge of share-based payments	22	-	-	(2,286)	-	(2,286)
Dividend for financial year ended 31 December 2021						
- fourth interim	9	-	-	-	(77,093)	(77,093)
Dividends for financial year ended 31 December 2022						
- first interim	9	-	-	-	(48,540)	(48,540)
- second interim	9	-	-	-	(71,383)	(71,383)
- third interim	9	-	-	-	(71,383)	(71,383)
Total transactions with shareholders of the Company		-	-	-	(268,399)	(268,399)
At 31 December 2022		142,765	164	-	234,207	377,136

Consolidated Statement of Changes in Equity

for the year ended 31 December 2022

(Continued)

	Note	Non-distributable			Distributable	Total RM'000
		Share capital RM'000	Cash flow hedge reserve RM'000	Share-based payment reserve RM'000	Retained earnings RM'000	
Group						
At 1 January 2021		142,765	(5,171)	-	235,045	372,639
Profit for the year		-	-	-	284,861	284,861
Other comprehensive income/ (expense):						
- changes in fair value of cash flow hedges	20	-	6,370	-	-	6,370
- deferred tax on fair value changes on cash flow hedges	14	-	(1,529)	-	-	(1,529)
Total comprehensive income		-	4,841	-	284,861	289,702
Transactions with shareholders:						
Expense arising from equity-settled share-based payment transactions	22	-	-	3,490	-	3,490
Recharge of share-based payments	22	-	-	(3,490)	-	(3,490)
Dividend for financial year ended 31 December 2020						
- fourth interim	9	-	-	-	(77,093)	(77,093)
Dividends for financial year ended 31 December 2021						
- first interim	9	-	-	-	(59,961)	(59,961)
- second interim	9	-	-	-	(68,527)	(68,527)
- third interim	9	-	-	-	(74,238)	(74,238)
Total transactions with shareholders of the Company		-	-	-	(279,819)	(279,819)
At 31 December 2021		142,765	(330)	-	240,087	382,522

The notes on pages 123 to 179 are an integral part of these financial statements.

Statement of Changes in Equity

for the year ended 31 December 2022

	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 2022		142,765	-	331,503	474,268
Profit for the year		-	-	264,501	264,501
Total comprehensive income		-	-	264,501	264,501
Transactions with shareholders:					
Expense arising from equity-settled share-based payment transactions	22	-	1,927	-	1,927
Recharge of share-based payments	22	-	(1,927)	-	(1,927)
Dividend for financial year ended 31 December 2021					
- fourth interim	9	-	-	(77,093)	(77,093)
Dividends for financial year ended 31 December 2022					
- first interim	9	-	-	(48,540)	(48,540)
- second interim	9	-	-	(71,383)	(71,383)
- third interim	9	-	-	(71,383)	(71,383)
Total transactions with shareholders of the Company		-	-	(268,399)	(268,399)
At 31 December 2022		142,765	-	327,605	470,370

Statement of Changes in Equity
for the year ended 31 December 2022
(Continued)

	Note	Non-distributable		Distributable	
		Share capital	Share-based payment reserve	Retained earnings	Total
		RM'000	RM'000	RM'000	RM'000
Company					
At 1 January 2021		142,765	-	349,367	492,132
Profit for the year		-	-	261,955	261,955
Total comprehensive income		-	-	261,955	261,955
Transactions with shareholders:					
Expense arising from equity-settled share-based payment transactions	22	-	2,361	-	2,361
Recharge of share-based payments	22	-	(2,361)	-	(2,361)
Dividend for financial year ended 31 December 2020 - fourth interim	9	-	-	(77,093)	(77,093)
Dividends for financial year ended 31 December 2021					
- first interim	9	-	-	(59,961)	(59,961)
- second interim	9	-	-	(68,527)	(68,527)
- third interim	9	-	-	(74,238)	(74,238)
Total transactions with shareholders of the Company		-	-	(279,819)	(279,819)
At 31 December 2021		142,765	-	331,503	474,268

The notes on pages 123 to 179 are an integral part of these financial statements.

Statements of Cash Flows

for the year ended 31 December 2022

	Note	Group	Company		
		2022 RM'000	2021 RM'000	2022 RM'000	2021 RM'000
Operating activities					
Profit before tax		385,412	394,117	266,412	264,204
Adjustments for:					
- non-cash items		29,203	26,777	7,123	6,366
- interest income		(781)	(598)	(781)	(491)
- interest expense		21,677	17,078	6,920	4,419
Changes in working capital:					
- inventories		108,267	40,663	-	-
- trade and other receivables		(80,392)	(327,554)	3,680	(2,952)
- trade and other payables		19,244	(9,280)	(291)	607
Cash from operations		482,630	141,203	283,063	272,153
Income tax (paid)/refund		(108,629)	(106,381)	(407)	384
Net cash flow from operating activities		374,001	34,822	282,656	272,537
Investing activities					
Property, plant and equipment	10				
- additions		(10,262)	(2,364)	(1,632)	(688)
- disposals		11,279	892	-	-
Addition of computer software	11	(880)	(3,271)	-	-
Interest income received		781	598	781	491
Net cash flow from/(used in) investing activities		918	(4,145)	(851)	(197)
Financing activities					
Dividends paid to shareholders	9	(268,399)	(279,819)	(268,399)	(279,819)
Interest expense paid on borrowings		(20,677)	(16,405)	(6,353)	(3,853)
Net (repayment)/drawdown of borrowings	19	(80,000)	265,000	-	-
(Repayment to)/drawdown from subsidiary		-	-	(14,199)	17,106
Payment on lease liabilities	21	(10,034)	(5,955)	(4,416)	(3,800)
Interest paid in relation to lease liabilities		(1,000)	(673)	(567)	(566)
Net cash flow used in financing activities		(380,110)	(37,852)	(293,934)	(270,932)
Net (decrease)/increase in cash and bank balances		(5,191)	(7,175)	(12,129)	1,408
Cash and bank balances at 1 January		21,827	29,002	18,593	17,185
Cash and bank balances at 31 December		16,636	21,827	6,464	18,593

The notes on pages 123 to 179 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 2022 comprise the Company and its subsidiaries (together referred to as the “Group” and individually referred to as “Group entities”).

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

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

These financial statements were authorised for issue by the Board of Directors on 20 February 2023.

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 2023

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

MFRSs, interpretations and amendments effective for annual periods beginning on or after 1 January 2024

- Amendment to MFRS 16, *Leases – Lease Liability in a Sale and Leaseback*
- Amendment to MFRS 101, *Presentation of Financial Statements – Non-current Liabilities with Covenants and Classification of Liabilities as Current or Non-current*

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 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 2023 for those amendments that are effective for annual periods beginning on or after 1 January 2023; and
- from the annual period beginning on 1 January 2024 for the amendments that are effective for annual periods beginning on or after 1 January 2024.

The Group and the Company do not plan to apply MFRS 17, *Insurance Contracts* and amendments to MFRS 17, *Insurance Contracts*, that are 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.

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 18 – provision for restructuring

Notes to the Financial Statements

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 statement of financial position at cost less any impairment losses, unless the investment is classified as held for sale or distribution. The cost of investment includes transaction costs.

(ii) Business Combinations

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

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

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

When the excess is negative, a bargain purchase gain is recognised immediately in profit or loss.

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.

Notes to the Financial Statements

2. Significant Accounting Policies (continued)

(a) Basis of Consolidation (continued)

(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 statement of financial position. Any surplus or deficit arising on the loss of control is recognised in the profit or loss. 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 profit or loss, except for differences arising on the retranslation of equity instruments where they are measured at fair value through other comprehensive income or a financial instrument designated as a cash flow hedge, which are recognised in other comprehensive income.

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

(c) Financial Instruments

(i) Recognition and Initial Measurement

A financial asset or a financial liability is recognised in the statement of financial position 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.

Notes to the Financial Statements

2. Significant Accounting Policies (continued)

(c) Financial Instruments (continued)

(i) Recognition and Initial Measurement (continued)

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 profit or loss. Any gain or loss on derecognition is recognised in profit or loss.

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

(b) Fair Value through Other Comprehensive Income**(i) Debt Investments**

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

Interest income is recognised by applying effective interest rate to the gross carrying amount except for credit-impaired financial assets (see Note 2(i)(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 (continued)

(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 profit or loss 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 profit or loss. On derecognition, gains and losses accumulated in other comprehensive income are not reclassified to profit or loss.

(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 profit or loss.

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(i)(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.

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

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 profit or loss.

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 profit or loss, unless the treatment of the effect of changes in the liability's credit risk would create or enlarge an accounting mismatch.

(b) Amortised Cost

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

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

(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 profit or loss. 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 profit or loss. 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 profit or loss in the same year during which the hedged forecast cash flows affect the profit or loss. 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 profit or loss 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 profit or loss in the same period or periods as the hedged expected future cash flows affect the profit or loss.

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 profit or loss.

(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 profit or loss.

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 profit or loss.

(v) Offsetting

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

(d) Property, Plant and Equipment

(i) Recognition and Measurement

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

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

Notes to the Financial Statements

2. Significant Accounting Policies (continued)**(d) Property, Plant and Equipment (continued)****(i) Recognition and Measurement (continued)**

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 profit or loss.

(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 profit or loss. The costs of the day-to-day servicing of property, plant and equipment are recognised in the profit or loss 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 profit or loss on a straight-line basis over the estimated useful lives of each component of an item of property, plant and equipment from the date that they are available for use. Freehold land is not depreciated. Property, plant and equipment under construction are not depreciated until the assets are ready for their intended use.

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

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

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

Notes to the Financial Statements

2. Significant Accounting Policies (continued)

(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.

(ii) Recognition and Initial Measurement

(a) As a Lessee

The Group recognises a right-of-use (“ROU”) asset and a lease liability at the lease commencement date. The right-of-use (“ROU”) 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.

Notes to the Financial Statements

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

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 profit or loss in the period in which the performance or use occurs.

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

(b) As a Lessor

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

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

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

The Group recognises assets held under a finance lease in its statement of financial position 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 ("ROU") 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 ("ROU") 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 ("ROU") asset or the end of the lease term. The estimated useful lives of right-of-use ("ROU") assets are determined on the same basis as those of property, plant and equipment. In addition, the right-of-use ("ROU") 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 ("ROU") asset, or is recorded in profit or loss if the carrying amount of the right-of-use ("ROU") asset has been reduced to zero.

Notes to the Financial Statements

2. Significant Accounting Policies (continued)

(e) Leases (continued)

(ii) Subsequent Measurement (continued)

(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(i)(i)).

(f) Intangible Assets

(i) Goodwill

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

(ii) Other Intangible Assets

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

(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 profit or loss 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 they 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 profit or loss 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.

Notes to the Financial Statements

2. Significant Accounting Policies (continued)**(g) Inventories**

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

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

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

(h) 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.

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

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

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

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

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

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 profit or loss 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 profit or loss and the allowance account is recognised in other comprehensive income.

Notes to the Financial Statements

2. Significant Accounting Policies (continued)

(i) Impairment (continued)

(i) Financial Assets (continued)

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

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

(ii) Other Assets

The carrying amounts of other assets (except for inventories, 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 profit or loss. Impairment losses recognised in respect of cash-generating units are allocated first to reduce the carrying amount of any goodwill allocated to the cash-generating unit (group of cash-generating units) and then to reduce the carrying amounts of the other assets in the cash-generating unit (group of cash-generating units) on a *pro rata* basis.

Notes to the Financial Statements

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

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

(j) Equity Instruments

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

(i) Issue Expenses

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

(ii) Ordinary Shares

Ordinary shares are classified as equity.

(k) 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 profit or loss 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 is 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 profit or loss, with a corresponding credit to equity.

Notes to the Financial Statements

2. Significant Accounting Policies (continued)

(k) Employee Benefits (continued)

(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.

(l) 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.

(m) Revenue and Other Income

(i) Revenue from Contracts with Customers

Revenue is measured based on the consideration specified in a contract with a customer in exchange for transferring goods or services to a customer, excluding amounts collected on behalf of third parties. The Group or the Company recognises revenue when (or as) it transfers control over a product or service to the customer. An asset is transferred when (or as) the customer obtains control of the asset.

The Group or the Company transfers control of a good or service at a point in time unless one of the following overtime criteria is met:

- (a) the customer simultaneously receives and consumes the benefits provided as the Group or the Company performs;
- (b) the Group's or the Company's performance creates or enhances an asset that the customer controls as the asset is created or enhanced; or
- (c) the Group's or the Company's performance does not create an asset with an alternative use and the Group or the Company has an enforceable right to payment for performance completed to date.

Notes to the Financial Statements

2. Significant Accounting Policies (continued)**(m) Revenue and Other Income (continued)****(ii) Dividend Income**

Dividend income is recognised in the profit or loss on the date that the Group's or the Company's right to receive payment is established.

(iii) Interest Income

Interest income is recognised as it accrues using the effective interest method in the profit or loss 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.

(n) Borrowing Costs

Borrowing costs are recognised in the profit or loss using the effective interest method.

(o) Income Tax

Income tax expense comprises current and deferred tax. Current tax and deferred tax are recognised in the profit or loss 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.

Deferred tax is recognised using the liability method, providing for temporary differences between the carrying amounts of assets and liabilities in the statement of financial position 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.

Notes to the Financial Statements

2. Significant Accounting Policies (continued)

(p) Earnings per Ordinary Share

The Group presents basic earnings per share data for its ordinary shares ("EPS").

Basic EPS is calculated by dividing the profit or loss attributable to ordinary shareholders of the Company by the weighted average number of ordinary shares outstanding during the period, adjusted for own shares held.

(q) 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.

(r) 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 statement of financial position 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.

(s) 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.

Notes to the Financial Statements

2. Significant Accounting Policies (continued)

(t) 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.

3. Revenue

	Group		Company	
	2022 RM'000	2021 RM'000	2022 RM'000	2021 RM'000
Revenue from contracts with customers:				
Sale of cigarettes, pipe tobaccos, cigars and other tobacco products	2,596,574	2,637,255	-	-
Other revenue:				
Dividend income from unquoted subsidiaries	-	-	269,757	269,757
Management fee from subsidiaries	-	-	3,585	4,795
Fee for usage of property, plant and equipment from subsidiaries	-	-	2,373	2,368
	2,596,574	2,637,255	275,715	276,920

The Group is primarily engaged in the sales, marketing and importation of cigarettes, pipe tobaccos, cigars, devices, other tobacco products and nicotine products. Revenue of the Group is recognised at a point in time when it transfers control of tobacco products to the customers. Payment terms given to customers range from 1 to 60 days from invoice date. Variable elements in consideration are those trade discounts, volume rebates, and trade incentives. The Group allows return only for exchange with new goods (i.e. no cash refunds are offered).

Notes to the Financial Statements

4. Profit Before Tax

		Group		Company	
	Note	2022 RM'000	2021 RM'000	2022 RM'000	2021 RM'000
Profit before tax is arrived at after charging:					
Auditors' remuneration:					
- statutory audit		555	606	405	387
- non-audit fees		241	246	241	246
Raw materials and consumables used		176,843	178,356	-	-
Excise duties		1,455,195	1,493,454	-	-
Staff costs	6	71,672	92,492	15,346	23,588
Property, plant and equipment:					
- depreciation	10	5,455	6,972	2,461	2,591
- depreciation of right-of-use ("ROU") assets	10	10,700	5,977	4,535	3,628
- write-off		25	1	-	1
Computer software:					
- amortisation	11	1,124	-	-	-
Net loss on impairment of financial assets at amortised cost		575	390	-	-
Expenses relating to:					
- short-term lease	a	1,425	652	-	-
Inventories written-down	15	13,399	11,638	-	-
Finance costs:					
- lease liabilities		1,000	673	567	566
- borrowings		20,677	16,405	6,353	3,853
Net foreign exchange loss		1,075	1,839	127	146
Provision for restructuring	18	18,464	9,282	-	1,828
and after crediting:					
Gain on disposal of property, plant and equipment		3,150	40	-	-
Interest income on deposits		781	598	781	491

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 ("ROU") assets and lease liabilities for these leases.

Notes to the Financial Statements

5. Directors' Remuneration

	Group and Company	
	2022 RM'000	2021 RM'000
Fees	775	947
Other emoluments	4,460	6,306
	5,235	7,253

Included in other emoluments is the estimated monetary value of benefits in kind provided to Directors of the Group and of the Company during the financial year amounted to RM517,000 (2021: RM1,368,000) and RM517,000 (2021: RM1,368,000) respectively.

Included in other emoluments are share-based payments amounting to RM Nil (2021: RM206,000) 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 22, and consultancy fees paid to a Director amounting to RM270,000 (2021: RM381,000).

Details of the movements of certain Directors' equity-settled share-based payments arrangements, covering the Deferred Share Bonus Scheme and International Share Reward Scheme are as follows, representing number of ordinary shares awarded during the tenure of the Directors' service with the Group and the Company.

	Number of ordinary shares in British American Tobacco p.l.c.				
	At 1.1.2021	Other movements*	At 31.12.2021/ 1.1.2022	Other movements*	At 31.12.2022
Executive Directors					
Deferred Share Bonus Scheme	10,402	(2,329)	8,073	817	8,890
International Share Reward Scheme	614	(285)	329	(16)	313
	11,016	(2,614)	8,402	801	9,203

Details of the movements of the Directors' participation in the equity-settled Long-Term Incentive Plan are as follows, representing number of options in ordinary shares granted during the tenure of the Directors' service with the Group and the Company.

Grant price	Number of options in ordinary shares in British American Tobacco p.l.c.				
	At 1.1.2021	Other movements*	At 31.12.2021/ 1.1.2022	Other movements*	At 31.12.2022
£38.94	4,333	(4,333)	-	-	-
£30.83	5,627	(2,831)	2,796	(2,796)	-
£26.33	10,549	(8,563)	1,986	-	1,986
£27.94	-	1,942	1,942	-	1,942
£32.18	-	-	-	9,070	9,070
	20,509	(13,785)	6,724	6,274	12,998

* 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	
	2022 RM'000	2021 RM'000	2022 RM'000	2021 RM'000
Wages, salaries and bonuses	57,777	70,337	13,876	19,064
Defined contribution plan	6,257	6,583	878	788
Other staff related expenses	7,638	15,572	592	3,736
	71,672	92,492	15,346	23,588

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 RM13,597,000 for the year ended 31 December 2022 (2021: RM21,549,000).

7. Tax Expense

	Group		Company	
	2022 RM'000	2021 RM'000	2022 RM'000	2021 RM'000
Current tax expense				
- current year	125,501	97,395	1,850	122
- (over)/under provision in prior years	(862)	4,155	-	-
	124,639	101,550	1,850	122
Deferred tax expense/(credit)				
- reversal and origination of temporary differences	961	7,440	(125)	619
- (over)/under provision in prior years	(2,707)	266	186	1,508
	(1,746)	7,706	61	2,127
	122,893	109,256	1,911	2,249

	Group		Company	
	2022 %	2021 %	2022 %	2021 %
Reconciliation of tax expense				
Statutory tax rate	24	24	24	24
Prosperity tax*	7	-	-	-
Expenses not deductible for tax purposes	2	3	1	1
(Over)/under provision in prior years	(1)	1	-	1
Income not subject to tax	-	-	(24)	(25)
Average effective tax rate	32	28	1	1

* Prosperity tax (Cukai Makmur) of 33% is imposed on chargeable income over RM100 million for the year of assessment 2022.

Notes to the Financial Statements

8. Earnings Per Share

The calculation of basic earnings per share was based on the profit attributable to ordinary shareholders and number of ordinary shares outstanding, calculated as follows:

	Group	
	2022	2021
Profit for the year (RM'000)	262,519	284,861
Number of ordinary shares at 31 December ('000)	285,530	285,530
Basic earnings per ordinary share (sen)	91.9	99.8

The Group does not issue any financial instrument or other contract that may entitle its holders to ordinary shares and therefore, diluted earnings per share is not disclosed.

9. Dividends

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

	Sen per share	Total amount RM'000
2022		
Fourth interim dividend 2021	27.0	77,093
First interim dividend 2022	17.0	48,540
Second interim dividend 2022	25.0	71,383
Third interim dividend 2022	25.0	71,383
Total amount	94.0	268,399
2021		
Fourth interim dividend 2020	27.0	77,093
First interim dividend 2021	21.0	59,961
Second interim dividend 2021	24.0	68,527
Third interim dividend 2021	26.0	74,238
Total amount	98.0	279,819

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 21.0 sen per ordinary share at the Board of Directors' meeting on 8 February 2023 amounting to RM59,961,300 in respect of the financial year ended 31 December 2022 which will be paid on 7 March 2023 to shareholders registered in the Company's Register of Members at the close of business on 23 February 2023. These financial statements do not reflect the fourth interim ordinary dividend which will be accounted for in the financial year ending 31 December 2023.

The Board of Directors do not recommend the payment of a final dividend in respect of the financial year ended 31 December 2022.

Notes to the Financial Statements

10. Property, Plant and Equipment

Group	Buildings (ROU assets)* RM'000	Machinery and equipment RM'000	Furniture and fittings RM'000	Furniture and fittings (ROU assets)* RM'000	Motor Vehicles RM'000	Motor Vehicles (ROU assets)* RM'000	Capital work-in- progress RM'000	Total RM'000
Cost								
At 1 January 2021	35,396	5,823	26,360	-	28,200	-	30	95,809
Additions	-	-	1,041	342	-	-	1,323	2,706
Disposals	-	-	-	-	(1,982)	-	-	(1,982)
Write-off	-	-	(216)	-	-	-	-	(216)
Reclassification	-	-	30	-	-	-	(30)	-
At 31 December 2021/ 1 January 2022	35,396	5,823	27,215	342	26,218	-	1,323	96,317
Additions	7,850	-	6,446	625	-	15,409	3,816	34,146
Derecognition	(377)	-	-	-	-	-	-	(377)
Disposals	-	-	(4)	-	(18,301)	-	-	(18,305)
Write-off	-	-	(5,517)	-	(70)	-	-	(5,587)
Reclassification	-	-	1,290	-	-	-	(1,290)	-
At 31 December 2022	42,869	5,823	29,430	967	7,847	15,409	3,849	106,194

Notes to the Financial Statements

10. Property, Plant and Equipment (continued)

Group	Buildings (ROU assets)* RM'000	Machinery and equipment RM'000	Furniture and fittings RM'000	Furniture and fittings (ROU assets)* RM'000	Motor vehicles RM'000	Motor Vehicles (ROU assets)* RM'000	Capital work-in- progress RM'000	Total RM'000
Accumulated depreciation								
At 1 January 2021	12,084	816	14,033	-	11,336	-	-	38,269
Charge for the year	5,948	284	3,424	29	3,264	-	-	12,949
Disposals	-	-	-	-	(1,131)	-	-	(1,131)
Write-off	-	-	(215)	-	-	-	-	(215)
At 31 December 2021/ 1 January 2022	18,032	1,100	17,242	29	13,469	-	-	49,872
Charge for the year	6,489	284	3,495	156	1,676	4,055	-	16,155
Derecognition	(377)	-	-	-	-	-	-	(377)
Disposals	-	-	(3)	-	(10,173)	-	-	(10,176)
Write-off	-	-	(5,517)	-	(45)	-	-	(5,562)
At 31 December 2022	24,144	1,384	15,217	185	4,927	4,055	-	49,912
Carrying amounts								
At 1 January 2021	23,312	5,007	12,327	-	16,864	-	30	57,540
At 31 December 2021/ 1 January 2022	17,364	4,723	9,973	313	12,749	-	1,323	46,445
At 31 December 2022	18,725	4,439	14,213	782	2,920	11,354	3,849	56,282

Notes to the Financial Statements

10. Property, Plant and Equipment (continued)

Company	Buildings (ROU assets)* RM'000	Furniture and fittings RM'000	Furniture and fittings (ROU assets)* RM'000	Motor vehicles RM'000	Motor Vehicles (ROU assets)* RM'000	Capital work-in- progress RM'000	Total RM'000
Cost							
At 1 January 2021	26,020	18,132	-	1,763	-	30	45,945
Additions	-	655	342	-	-	33	1,030
Write-off	-	(34)	-	-	-	-	(34)
Reclassification	-	30	-	-	-	(30)	-
At 31 December 2021/1 January 2022	26,020	18,783	342	1,763	-	33	46,941
Additions	4,545	1,437	625	-	136	195	6,938
Write-off	-	(1,445)	-	-	-	-	(1,445)
At 31 December 2022	30,565	18,775	967	1,763	136	228	52,434

Notes to the Financial Statements

10. Property, Plant and Equipment (continued)

Company	Buildings (ROU assets)* RM'000	Furniture and fittings RM'000	Furniture and fittings (ROU assets)* RM'000	Motor vehicles RM'000	Motor Vehicles (ROU assets)* RM'000	Capital work-in- progress RM'000	Total RM'000
Accumulated depreciation							
At 1 January 2021	6,972	8,404	-	499	-	-	15,875
Charge for the year	3,599	2,282	29	309	-	-	6,219
Write-off	-	(33)	-	-	-	-	(33)
At 31 December 2021/1 January 2022	10,571	10,653	29	808	-	-	22,061
Charge for the year	4,334	2,151	156	310	45	-	6,996
Write-off	-	(1,445)	-	-	-	-	(1,445)
At 31 December 2022	14,905	11,359	185	1,118	45	-	27,612
Carrying amounts							
At 1 January 2021	19,048	9,728	-	1,264	-	30	30,070
At 31 December 2021/1 January 2022	15,449	8,130	313	955	-	33	24,880
At 31 December 2022	15,660	7,416	782	645	91	228	24,822

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

Notes to the Financial Statements

10. Property, Plant and Equipment (continued)

Extension options

Some leases contain extension options exercisable by the Group up to one year before the end of the non-cancellable contract period. Where practicable, the Group seeks to include extension options in new leases to provide operational flexibility. The Group assesses at lease commencement whether it is reasonably certain to exercise the extension options. The Group reassesses whether it is reasonably certain to exercise the options if there is a significant event or significant change in circumstances within its control.

Significant judgements and assumptions in relation to leases

The Group assesses at lease commencement by applying significant judgement whether it is reasonably certain to exercise the extension options. Group entities consider all facts and circumstances including their past practice and any cost that will be incurred to change the asset if an option to extend is not taken, to help them determine the lease term.

The Group also applied judgement and assumptions in determining the incremental borrowing rate of the respective leases. Group entities first determine the closest available borrowing rates before using significant judgement to determine the adjustments required to reflect the term, security, value or economic environment of the respective leases.

11. Computer Software

	Group		Company	
	2022 RM'000	2021 RM'000	2022 RM'000	2021 RM'000
Cost				
At 1 January	3,358	87	87	87
Additions	880	3,271	-	-
At 31 December	4,238	3,358	87	87
Accumulated amortisation				
At 1 January	87	87	87	87
Charge for the year	1,124	-	-	-
At 31 December	1,211	87	87	87
Carrying amounts				
At 31 December	3,027	3,271	-	-

Notes to the Financial Statements

12. Goodwill

	Group	
	2022 RM'000	2021 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 five years (2021: ten years) plus a terminal value based on historical growth rate, taking into account industry developments and at the pre-tax discount rate of 11.8 percent (2021: 11.1 percent).

Based on the assessment, the recoverable amount exceeded the carrying amount of the goodwill. Accordingly, no impairment loss was recognised in 2022 (2021: 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.

Notes to the Financial Statements

13. Subsidiaries

	Company	
	2022 RM'000	2021 RM'000
Cost		
Unquoted shares in subsidiaries	725,262	725,262
Impairment losses	(1,867)	(1,867)
	723,395	723,395

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

On 30 December 2021, Rothmans Brands Sdn. Bhd. (Incorporated in Malaysia) and Commercial Marketers and Distributors Sdn. Bhd., (Incorporated in Brunei) both wholly-owned subsidiaries of the Company had commenced members' voluntary winding-up ("Winding-Up"). The Winding-Up has no material effect on the financials and operations impact to the Group.

The subsidiaries, all of which are wholly-owned, are as follows:

Name of entity	Principal place of business/ country of incorporation	Principal activities
Commercial Marketers and Distributors Sdn. Bhd.	Malaysia	Sales, marketing and importation of cigarettes, pipe tobaccos, cigars, devices, other tobacco products and nicotine products
Rothmans Brands Sdn. Bhd.	Malaysia	Dormant (The Company has been placed under members' voluntary liquidation on 30 December 2021)
Tobacco Importers and Manufacturers Sdn. Berhad	Malaysia	Manufacture and sale of cigarettes and other tobacco related products
Commercial Marketers and Distributors Sdn. Bhd. *	Negara Brunei Darussalam	Dormant (The Company has been placed under members' voluntary liquidation on 30 December 2021)

* Not audited by KPMG PLT.

Notes to the Financial Statements

14. Deferred Tax

		Group		Company	
	Note	2022 RM'000	2021 RM'000	2022 RM'000	2021 RM'000
Deferred tax assets					
At 1 January		6,220	15,455	1,644	3,771
Recognised in profit or loss	14(i)	1,746	(7,706)	(61)	(2,127)
Recognised in other comprehensive income	14(ii)	(154)	(1,529)	-	-
At 31 December		7,812	6,220	1,583	1,644

Represented by:

Property, plant and equipment	(2,345)	(2,434)	(1,044)	(1,041)
Tax losses	-	466	-	466
Provisions	10,203	8,080	2,627	2,219
Cash flow hedge	(46)	108	-	-
Deferred tax assets	7,812	6,220	1,583	1,644

Notes to the Financial Statements

14. Deferred Tax (continued)

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

	Note	Group		Company	
		2022 RM'000	2021 RM'000	2022 RM'000	2021 RM'000
Deferred tax assets					
Deferred tax liabilities to be recovered after more than 12 months		(2,345)	(1,968)	(1,044)	(575)
Deferred tax assets to be recovered within 12 months		10,157	8,188	2,627	2,219
At 31 December		7,812	6,220	1,583	1,644
(i) Recognised in profit or loss:					
- Credited/(Charged) in respect of deferred tax assets		1,746	(7,706)	(61)	(2,127)
Net credit/(charge) to profit or loss		1,746	(7,706)	(61)	(2,127)
(ii) Recognised in other comprehensive income:					
- Charged in respect of deferred tax assets		(154)	(1,529)	-	-
Net charge to other comprehensive income		(154)	(1,529)	-	-

In accordance with current tax legislation, the unabsorbed tax losses in the prior year will expire in YA 2028. The unabsorbed tax losses have been fully utilised as at 31 December 2022 (2021: RM1,942,000).

Notes to the Financial Statements

15. Inventories

	Group	
	2022 RM'000	2021 RM'000
Raw materials	138	233
Finished goods	55,837	177,408
	55,975	177,641
Recognised in profit or loss:		
Inventories recognised as cost of sales	1,632,038	1,671,810
Write-down to net realisable value	13,399	11,638

16. Trade and Other Receivables

	Note	Group		Company	
		2022 RM'000	2021 RM'000	2022 RM'000	2021 RM'000
Trade receivables	16.1	740,478	465,539	-	-
Allowance for impairment		(871)	(606)	-	-
Trade receivables, net		739,607	464,933	-	-
Amounts due from fellow subsidiaries*	16.2	15,633	7,742	10,228	922
Amounts due from subsidiaries	16.3	-	-	316	13,683
Other receivables, deposits and prepayments	16.4	48,532	250,355	1,902	1,552
		64,165	258,097	12,446	16,157
Total receivables		803,772	723,030	12,446	16,157

* Fellow subsidiaries through a common ultimate major shareholder, British American Tobacco p.l.c.

16.1 Trade Receivables

Credit terms of trade receivables range from 1 to 60 days (2021: 1 to 60 days).

16.2 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 (2021: 30 to 60 days).

16.3 Amounts Due From Subsidiaries

The Company's amounts due from subsidiaries are unsecured and interest free with a credit term of 30 days (2021: 30 days).

Notes to the Financial Statements

16. Trade and Other Receivables (continued)

16.4 Other Receivables, Deposits and Prepayments

Included in other receivables, deposits and prepayments of the Group are prepaid excise duties of RM42,873,000 (2021: RM227,126,000).

17. Capital and Reserves

Share capital

	Group and Company			
	Number of shares	Amount	Number of shares	Amount
	2022 '000	2022 RM'000	2021 '000	2021 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.

18. Trade and Other Payables

	Note	Group		Company	
		2022 RM'000	2021 RM'000	2022 RM'000	2021 RM'000
Trade payables	18.1	14,194	8,171	-	-
Trade accruals		92,281	70,419	-	-
Amounts due to subsidiaries	18.2	-	-	263,289	277,488
Amounts due to fellow subsidiaries*	18.3	39,831	39,242	1,964	2,166
Other payables and accruals		65,958	73,128	13,540	13,533
		212,264	190,960	278,793	293,187

Notes to the Financial Statements

18. Trade and Other Payables (continued)

Other payables and accruals comprise the following:

	Group		Company	
	2022 RM'000	2021 RM'000	2022 RM'000	2021 RM'000
Accruals for employee expenses	18,769	27,146	5,724	7,518
Accruals for administrative expenses	25,522	31,755	6,377	2,638
Provision for restructuring	18,464	8,752	-	245
Other non-operating creditors	3,203	5,475	1,439	3,132
	65,958	73,128	13,540	13,533

* Fellow subsidiaries through a common ultimate major shareholder, British American Tobacco p.l.c.

The Group had undertaken measures in restructuring the organisation to be more efficient, agile and focused to enable the Group to continue operating effectively in a challenging business environment. This restructuring is aligned with our continuous efforts to improve and deliver a sustainable cost structure. The provision for restructuring is expected to be settled within 12 months. Movements of provision for restructuring are as follows:

	Group	Company
	RM'000	RM'000
Provision for restructuring		
At 1 January 2021	17,569	739
Provisions made during the year	9,282	1,828
Provisions used during the year	(18,099)	(2,322)
At 31 December 2021/1 January 2022	8,752	245
Provisions made during the year	18,464	-
Provisions used during the year	(8,752)	(245)
At 31 December 2022	18,464	-

18.1 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 (2021: cash term to 120 days).

18.2 Amounts Due to Subsidiaries

The Company's amounts due to subsidiaries are unsecured and subject to 3% (2021: 3%) interest per annum with a credit term of 30 days (2021: 30 days). Net changes from financing cash flows is RM14,199,000 (2021: RM17,106,000).

18.3 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 (2021: 30 to 60 days). These amounts are unsecured and interest free.

Notes to the Financial Statements

19. Borrowings

	Group	
	2022 RM'000	2021 RM'000
Current – unsecured		
Revolving credit	375,000	455,000
Short-term loan	320,000	320,000
	695,000	775,000

The Group's borrowings have a maturity date between one week to one month. The Group's borrowings are denominated in Ringgit Malaysia.

Reconciliation of movement of liabilities to cash flow arising from financing activities

	Net changes from financing cash flows			
	2021 RM'000	Drawdown RM'000	Repayment RM'000	2022 RM'000
Group				
Borrowings	775,000	165,000	(245,000)	695,000

	Net changes from financing cash flows			
	2020 RM'000	Drawdown RM'000	Repayment RM'000	2021 RM'000
Group				
Borrowings	510,000	404,000	(139,000)	775,000

Notes to the Financial Statements

20. Derivative Financial Instruments

Group	2022		2021	
	Assets RM'000	Liabilities RM'000	Assets RM'000	Liabilities RM'000
Forward foreign exchange contract				
- cash flow hedges	1,928	1,606	456	842

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 RM1,946,000 (2021: loss of RM67,000) arising from forward foreign exchange contracts in relation to cash flow hedges was recognised in the profit or loss.

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 profit or loss, which are expected to occur at various dates over a period of 6 to 18 months (2021: 6 to 18 months).

Gains and losses recognised in other comprehensive income on forward foreign exchange contracts are recognised in the profit or loss in the period or periods during which the hedged forecast transaction affects the profit or loss. During the year, the Group recognised a loss of RM648,000 (2021: gain of RM6,370,000) in the other comprehensive income and a gain of RM6,322,000 (2021: loss of RM2,804,000) was reclassified from equity to the profit or loss.

The notional principal amounts of the outstanding forward foreign exchange contracts are as follows:

Hedging Instruments	Currency	RM'000 equivalent	Average contracted rate
Group			
2022			
Currency to be received over the next 12 months			
USD43,720,000 (net)	US Dollar	190,882	1 USD = RM4.3660
2021			
Currency to be received over the next 12 months			
USD39,777,000 (net)	US Dollar	167,892	1 USD = RM4.2208

Notes to the Financial Statements

21. Lease Liabilities

	Group		Company	
	2022 RM'000	2021 RM'000	2022 RM'000	2021 RM'000
Current	12,118	5,274	4,818	3,309
Non-current	21,644	14,638	13,324	13,943
Total	33,762	19,912	18,142	17,252

	Group		Company	
	2022 RM'000	2021 RM'000	2022 RM'000	2021 RM'000
At 1 January	19,912	25,525	17,252	20,710
Net changes from financing cash flows	(10,034)	(5,955)	(4,416)	(3,800)
Acquisition of new lease	23,884	342	5,306	342
At 31 December	33,762	19,912	18,142	17,252

22. Share-based Payments

The Group operates a number of share-based payment arrangements of which the three principal ones are:

LTIP - Performance Share Plan (PSP)

Since 2020, performance-related conditional awards under which shares are released automatically following a three-year vesting period (five-year period for the Executive Directors). LTIP awards granted up to 2019 are nil-cost options exercisable after three years from date of grant (five years for Executive Directors) with a contractual life of 10 years.

For awards granted in 2021, 2020 and 2019, vesting is subject to performance conditions measured over a three-year period (for all awards), 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.

For 2022 awards, the performance conditions are based on earnings per share (30% of grant), operating cash flow (20% of grant), total shareholder return (20% of grant), net turnover (15% of grant) and New Categories revenue growth (15% of grant).

Participants are not entitled to dividends prior to the vesting or exercise of the awards. A cash equivalent dividend accrues through the vesting period (other than for the Executive Directors where additional shares are delivered in lieu of cash) and is paid on vesting. Both equity and cash-settled PSP awards are granted in March each year.

Restricted Share Plan (RSP)

Introduced in 2020, conditional awards under which shares are released three years from date of grant, subject to a continuous employment condition during the three-year vesting period. Participants are not entitled to dividends prior to shares vesting. A cash equivalent dividend accrues through the vesting period and is paid on vesting. Both equity and cash settled RSP awards are granted in March or September.

Notes to the Financial Statements

22. Share-based Payments (continued)**Deferred Share Bonus Scheme (DSBS)**

Granted in connection with annual bonuses, conditional awards under which shares are released three years from date of grant subject to a continuous employment condition during the three-year vesting period. A cash equivalent dividend accrues through the vesting period and is paid quarterly (other than for the Executive Directors where additional shares are delivered in lieu of cash). Both equity and cash-settled DSBS awards 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:

International Share Reward Scheme (ISRS)

Conditional shares are granted in April each year (up to an equivalent of £3,600 in any year) subject to a three-year vesting period. Dividend equivalents accrue through the vesting period and additional shares are delivered at vesting. Awards may be equity or cash-settled.

Share-based Payment Expense

The amount recognised in the profit or loss in respect of share-based payments were as follows:

		Equity-settled	
		2022 RM'000	2021 RM'000
	Note		
Group			
LTIP - PSP & RSP	22.1	1,151	1,705
DSBS	22.2	1,119	1,756
Other schemes	22.3	16	29
Total recognised in profit or loss		2,286	3,490

		Equity-settled	
		2022 RM'000	2021 RM'000
	Note		
Company			
LTIP - PSP & RSP	22.1	1,151	1,306
DSBS	22.2	760	1,026
Other schemes	22.3	16	29
Total recognised in profit or loss		1,927	2,361

Notes to the Financial Statements

22. Share-based Payments (continued)

22.1 Long-Term Incentive Plan - PSP & RSP

Details of the movements for the equity and cash-settled LTIP scheme during the years ended 31 December 2022 and 31 December 2021, were as follows:

	Equity-settled Number of options in thousand	
	2022	2021
Group		
Outstanding at start of financial year	35	30
Granted during the period	9	16
Exercised during the period	(3)	(3)
Forfeited during the period	(9)	(8)
Outstanding at end of financial year	32	35
Exercisable at end of financial year	3	1

The weighted average British American Tobacco p.l.c. share price at the date of exercise for share options exercised during the period was £27.74 (2021: £27.74) for equity-settled options.

The outstanding shares for the year ended 31 December 2022 had a weighted average contractual life of 1.8 years (2021: 4.1 years) for the equity-settled scheme

	Equity-settled Number of options in thousand	
	2022	2021
Company		
Outstanding at start of financial year	29	26
Granted during the period	9	13
Exercised during the period	(3)	(3)
Forfeited during the period	(6)	(8)
Outstanding at end of financial year	29	28
Exercisable at end of financial year	2	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 £31.95 (2021: £27.74) for equity-settled options.

The outstanding shares for the year ended 31 December 2022 had a weighted average contractual life of 1.42 years (2021: 3.33 years) for the equity-settled scheme.

Notes to the Financial Statements

22. Share-based Payments (continued)

22.2 Deferred Share Bonus Scheme

Details of the movements for the equity and cash-settled DSBS scheme during the years ended 31 December 2022 and 31 December 2021, were as follows:

	Equity-settled Number of options in thousand	
	2022	2021
Group		
Outstanding at start of financial year	30	32
Granted during the period	7	14
Exercised during the period	(13)	(16)
Outstanding at end of financial year	24	30
Exercisable at end of financial year	-	-

The weighted average British American Tobacco p.l.c. share price at the date of exercise for share options exercised during the period was £27.21 (2021: £27.21) for equity-settled options.

The outstanding shares for the year ended 31 December 2022 had a weighted average contractual life of 1.3 years (2021: 1.2 years) for the equity-settled scheme.

	Equity-settled Number of options in thousand	
	2022	2021
Company		
Outstanding at start of financial year	19	18
Granted during the period	5	8
Forfeited during the period	(9)	(10)
Outstanding at end of financial year	15	16
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 £31.80 (2021: £27.43) for equity-settled options.

The outstanding shares for the year ended 31 December 2022 had a weighted average contractual life of 1.3 years (2021: 1.2 years) for the equity-settled scheme.

Notes to the Financial Statements

22. Share-based Payments (continued)

22.3 Other Schemes

International Share Reward Scheme

Group

The number of outstanding shares at the end of the year for the International Share Reward Scheme were 566 (2021: 790).

Company

The number of outstanding shares at the end of the year for the International Share Reward Scheme were 474 (2021: 698).

Valuation Assumptions

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

	2022		2021	
	LTIP	DSBS	LTIP	DSBS
Group and Company				
Expected volatility (%)	27.0	27.0	27.0	27.0
Average expected term to exercise (years)	3.0	3.0	3.5	3.0
Risk-free rate (%)	1.5	1.4	0.2	0.2
Expected dividend yield (%)	6.8	6.8	7.7	7.7
Share price at date of grant (£)	32.18	32.18	27.94	27.94
Fair value at grant date (£)	27.46 / 26.28	26.28	19.87	22.20

Market condition features were incorporated into the Monte-Carlo models for the total shareholder return elements of the LTIP - PSP, in determining fair value at grant date. Assumptions used in these models were as follows:

	2022	2021
	%	%
Group and Company		
Average share price volatility FMCG comparator group	23	22
Average correlation FMCG comparator group	31	29

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 FMCG share price volatility and correlation was also determined over the same periods. The average expected term to exercise used in the models has been adjusted, based on management's best estimate, for the effects of non-transferability, exercise restrictions and behavioural conditions, forfeiture and historical experience.

Notes to the Financial Statements

22. Share-based Payments (continued)**Valuation Assumptions (continued)**

The risk-free rate has been determined from market yield curves for government gilts with outstanding terms equal to the average expected term to exercise for each relevant grant. The expected dividend yield was determined by calculating the yield from the last two declared dividends divided by the grant share price.

In addition to these valuation assumptions, LTIP - PSP 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 pay-out calculation is based on expectations published in analysts' forecasts.

23. Segment Reporting

The Group and the Company is domiciled in Malaysia. The revenue from external customers in Malaysia is RM2,596,574,000 (2021: RM2,637,255,000). 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:

	2022 RM'000	2021 RM'000
- Customer A	2,129,361	772,751
- Customer B	316,731	683,484

Notes to the Financial Statements

24. Financial Instruments

24.1 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).

	Carrying amount RM'000	FAAC / FLAC RM'000	Derivative used for hedging RM'000
2022			
Financial assets			
Group			
Trade and other receivables (excluding prepayments)	761,770	761,770	-
Cash and bank balances	16,636	16,636	-
Derivative financial assets	1,928	-	1,928
	780,334	778,406	1,928
Company			
Trade and other receivables (excluding prepayments)	12,446	12,446	-
Cash and bank balances	6,464	6,464	-
	18,910	18,910	-
Financial liabilities			
Group			
Borrowings	695,000	695,000	-
Trade and other payables (excluding provision for restructuring)	193,800	193,800	-
Derivative financial liabilities	1,606	-	1,606
	890,406	888,800	1,606
Company			
Trade and other payables	278,793	278,793	-

Notes to the Financial Statements

24. Financial Instruments (continued)

24.1 Categories of Financial Instruments (continued)

2021	Carrying amount RM'000	FAAC / FLAC RM'000	Derivative used for hedging RM'000
Financial assets			
Group			
Trade and other receivables (excluding prepayments)	496,512	496,512	-
Cash and bank balances	21,827	21,827	-
Derivative financial assets	456	-	456
	518,795	518,339	456
Company			
Trade and other receivables (excluding prepayments)	16,157	16,157	-
Cash and bank balances	18,593	18,593	-
	34,750	34,750	-
Financial liabilities			
Group			
Borrowings	775,000	775,000	-
Trade and other payables (excluding provision for restructuring)	182,208	182,208	-
Derivative financial liabilities	842	-	842
	958,050	957,208	842
Company			
Trade and other payables (excluding provision for restructuring)	292,942	292,942	-

Notes to the Financial Statements

24. Financial Instruments (continued)

24.2 Net Gains and Losses Arising from Financial Instruments

	Group		Company	
	2022 RM'000	2021 RM'000	2022 RM'000	2021 RM'000
Net gains/(losses) on:				
Derivative used for hedging				
- recognised in profit or loss	1,946	(67)	-	-
- recognised in other comprehensive income	648	6,370	-	-
Financial assets measured at amortised cost	1,131	(226)	750	607
Financial liabilities measured at amortised cost	(22,677)	(17,810)	(6,449)	(4,116)
	(18,952)	(11,733)	(5,699)	(3,509)

24.3 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

24.4 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 previous years.

Trade Receivables***Risk Management Objective, Policies and Processes for Managing The Risk***

Management has a credit policy in place and the exposure to credit risk is monitored on an ongoing basis. Credit evaluations are performed on all customers requiring credit over a certain amount with clear approving authority and limits.

Approximately 94 percent (2021: 80 percent) of the Group's trade receivables are derived from its sales to two (2021: four) of its key customers. The Group closely monitors collections from these customers. At each reporting date, the Group assess whether any of the receivables are credit-impaired.

The gross carrying amounts of credit-impaired trade receivables are written off (either partially or fully) when there is no realistic prospect of recovery. This is generally the case when the Group determines that the debtor does not have assets or sources of income that could generate sufficient cash flows to repay the amounts subject to the write-off. Nevertheless, trade receivables that are written off could still be subjected to enforcement activities. The Group does not foresee any credit risk arising from amounts due from fellow subsidiary companies.

There are no significant changes as compared to previous year.

Notes to the Financial Statements

24. Financial Instruments (continued)

24.4 Credit Risk (continued)

Trade Receivables (continued)

Exposure to Credit Risk, Credit Quality and Collateral

As at the end of the reporting period, the maximum exposure to credit risk arising from receivables is represented by the carrying amounts in the statement of financial position.

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 customers as per disclosed in Note 23.

Recognition and Measurement of Impairment Loss

The Group uses an allowance matrix to measure expected credit losses of trade receivables. Any receivables having significant balances past due more than 90 days, which are deemed to have higher credit risk, are monitored individually.

To measure the expected credit losses, trade receivables have been grouped based on credit risk and days past due.

The following table provides information about the exposure to credit risk and expected credit losses for trade receivables as at 31 December 2022 and 31 December 2021.

Group	Gross RM'000	Loss allowance RM'000	Net RM'000
2022			
Current (not past due)	671,980	(672)	671,308
Past due 1 – 30 days	68,382	(83)	68,299
Past due more than 90 days	116	(116)	-
	740,478	(871)	739,607
2021			
Current (not past due)	455,397	(460)	454,937
Past due 1 – 30 days	9,107	(7)	9,100
Past due 31 – 60 days	134	-	134
Past due 61 – 90 days	24	-	24
Past due more than 90 days	877	(139)	738
	465,539	(606)	464,933

Notes to the Financial Statements

24. Financial Instruments (continued)

24.4 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 2021	216
Net remeasurement of loss allowance	390
Balance at 31 December 2021/ 1 January 2022	606
Net remeasurement of loss allowance	575
Amounts written off	(310)
Balance at 31 December 2022	871

Amounts Due from Fellow Subsidiaries

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

	2022 RM'000	2021 RM'000
Group		
Not past due	15,633	7,742
Company		
Not past due	10,228	992

Generally, the Group and Company consider amounts due from fellow subsidiaries as low credit risk. The Group and Company determines the probability of default for these amounts due from fellow subsidiaries individually using internal information. For the financial year ended 31 December 2022, there was no evidence that the amounts due from fellow subsidiaries are not recoverable.

Notes to the Financial Statements

24. Financial Instruments (continued)**24.4 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 2022, the maximum exposure to credit risk is represented by the carrying amounts in the statement of financial position.

These banks and financial institutions have low credit risks. In addition, some of the bank balances are insured by government agencies. Consequently, the Group and the Company are of the view that the loss allowance is not material and hence, it is not provided for.

Other Receivables

Expected credit loss of other receivables is determined individually after considering the financial strength of the other receivables. Based on management's assessment, the probability of the default of these receivables is low and hence, no loss allowance has been made.

24.5 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

24. Financial Instruments (continued)

24.5 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
2022							
Group							
Non-derivative financial liabilities							
Borrowings	695,000	3 - 4%	697,162	697,162	-	-	-
Lease liabilities	33,762	3 - 4%	35,316	12,960	12,144	7,410	2,802
Trade and other payables	193,800	-	193,800	193,800	-	-	-
	922,562		926,278	903,922	12,144	7,410	2,802
Derivative financial liabilities							
Derivative financial instruments							
- Outflow	1,606	-	1,606	1,606	-	-	-
	924,168		927,884	905,528	12,144	7,410	2,802
Company							
Non-derivative financial liabilities							
Lease liabilities	18,142	3 - 4%	19,140	5,291	5,422	5,355	3,072
Trade and other payables	15,504	-	15,504	15,504	-	-	-
Amounts due to subsidiaries	263,289	3%	263,947	263,947	-	-	-
	296,935		298,591	284,742	5,422	5,355	3,072

Notes to the Financial Statements

24. Financial Instruments (continued)

24.5 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
2021							
Group							
Non-derivative financial liabilities							
Borrowings	775,000	2 - 3%	776,550	776,550	-	-	-
Lease liabilities	19,912	3 - 4%	21,212	5,786	4,532	10,894	-
Trade and other payables	182,208	-	182,208	182,208	-	-	-
	977,120		979,970	964,544	4,532	10,894	-
Derivative financial liabilities							
Derivative financial instruments							
- Outflow	842	-	842	842	-	-	-
	977,962		980,812	965,386	4,532	10,894	-
Company							
Non-derivative financial liabilities							
Lease liabilities	17,252	3 - 4%	18,467	3,778	4,274	10,415	-
Trade and other payables	15,454	-	15,454	15,454	-	-	-
Amounts due to subsidiaries	277,488	3%	278,182	278,182	-	-	-
	310,194		312,103	297,414	4,274	10,415	-

Notes to the Financial Statements

24. Financial Instruments (continued)

24.6 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.

24.6.1 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:

	2022			2021		
	Denominated in			Denominated in		
	USD RM'000	GBP RM'000	EUR RM'000	USD RM'000	GBP RM'000	EUR RM'000
Group						
Trade payables	(36)	(17)	-	(85)	(2)	(71)
Cash and bank balances	1,472	753	125	1,120	665	127
Amounts due from fellow subsidiaries	812	67	-	-	-	-
Amounts due to fellow subsidiaries	(14,319)	(888)	(89)	(12,584)	(1,784)	(127)
Net exposure in the statement of financial position	(12,071)	(85)	36	(11,549)	(1,121)	(71)
Company						
Cash and bank balances	814	284	-	487	265	-
Amounts due from fellow subsidiaries	28	-	-	-	-	-
Amounts due to fellow subsidiaries	-	(766)	-	(16)	(1,362)	-
Net exposure in the statement of financial position	842	(482)	-	471	(1,097)	-

Notes to the Financial Statements

24. Financial Instruments (continued)

24.6 Market Risk (continued)

24.6.1 Currency Risk (continued)

Currency Risk Sensitivity Analysis

A 10 percent (2021: 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	
	2022 RM'000	2021 RM'000	2022 RM'000	2021 RM'000
USD	1,207	1,155	(84)	(47)
GBP	8	112	48	110
EUR	(4)	7	-	-

A 10 percent (2021: 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.

24.6.2 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 statement of financial position 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 19.

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	
	2022 RM'000	2021 RM'000	2022 RM'000	2021 RM'000
Fixed rate instruments				
Financial liabilities	33,762	19,912	18,142	17,252
Floating rate instruments				
Financial liabilities	695,000	775,000	-	-

Notes to the Financial Statements

24. Financial Instruments (continued)

24.6 Market Risk (continued)

24.6.2 Interest Rate Risk (continued)

Cash flow sensitivity analysis for variable rate instruments

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

	2022		2021	
	Profit or loss		Profit or loss	
	100 bp increase RM'000	100 bp decrease RM'000	100 bp increase RM'000	100 bp decrease RM'000
Group				
Floating rate instruments	(6,950)	6,950	(7,750)	7,750

24.7 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 20. The fair values of forward foreign exchange contracts are determined based on the quoted market price of similar derivatives, as they are not traded on an active market. These derivatives are classified as Level 2 financial instruments.

The Group measures the fair values of its borrowings based on observable yield curves. The fair value of the Group's financial assets and financial liabilities approximate to their carrying value.

Notes to the Financial Statements

25. 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 2022 and at 31 December 2021 were as follows:

	Group	
	2022 RM'000	2021 RM'000
Total borrowings (Note 19)	695,000	775,000
Less: Cash and bank balances	(16,636)	(21,827)
Net debt	678,364	753,173
Total equity	377,136	382,522
Debt-to-equity ratio	1.8	2.0

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

26. Capital Commitments

The Group and the Company have no capital commitments as at 31 December 2022.

27. 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 16 and Note 18.

Notes to the Financial Statements

27. Related Parties (continued)

Significant Related Party Transactions (continued)

		Group	
		2022 RM'000	2021 RM'000
(i)	Purchase of goods		
	Purchase of leaf, cigarette packaging and wrapping materials and tobacco products from:		
	- PT Bentoel Prima	165,415	156,932
(ii)	Procurement of services		
	Procurement of information technology services from:		
	- British American Shared Services (GSD) Limited	18,923	15,803
(iii)	Technical and advisory (includes share-based payment charges)		
	Payment of fees for technical and advisory support services to:		
	- British American Tobacco Investments Ltd.	16,856	14,314
	- BAT Aspac Service Centre Sdn. Bhd.	12,667	12,872
		29,523	27,186
(iv)	Royalties		
	Royalties paid/payable to:		
	- British American Tobacco Exports Limited	87,902	84,765
		Company	
		2022 RM'000	2021 RM'000
(i)	Management fee		
	Management fee received from:		
	- Commercial Marketers and Distributors Sdn. Bhd.	3,427	4,631
	- Tobacco Importers and Manufacturers Sdn. Berhad	158	164
		3,585	4,795
(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.	2,314	2,299
	- Tobacco Importers and Manufacturers Sdn. Berhad	59	69
		2,373	2,368

Notes to the Financial Statements

27. Related Parties (continued)

Significant Related Party Transactions (continued)

	Company	
	2022 RM'000	2021 RM'000
(iii) Technical and advisory		
Provision of technical and advisory fees received from:		
- British American Tobacco Sales & Marketing (Singapore) Pte. Ltd.	916	916
- British American Tobacco Asia-Pacific Region Limited	312	-
	1,228	916
(iv) Technical and advisory		
Payment of fees for technical and advisory support services to:		
- BAT Aspac Service Centre Sdn. Bhd.	3,656	7,546
(v) Interest expense		
Interest expense on cash pooling:		
- Commercial Marketers and Distributors Sdn. Bhd.	5,231	2,900
- Tobacco Importers and Manufacturers Sdn. Berhad	1,194	940
	6,425	3,840

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 115 to 179 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 2022 and of their financial performance and cash flows for the financial year then ended.

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



Nedal Louay Salem
Managing Director



Anthony Yong Mun Seng
Finance Director

Kuala Lumpur

Date: 20 February 2023

Statutory Declaration

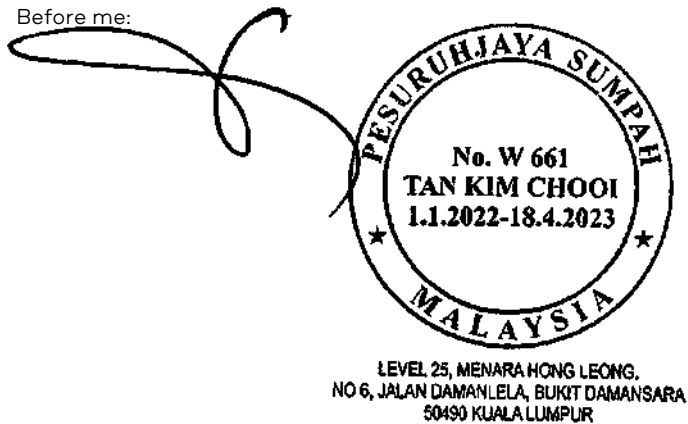
Pursuant to Section 251(1) of the Companies Act 2016

I, Anthony Yong Mun Seng, the Director primarily responsible for the financial management of British American Tobacco (Malaysia) Berhad, do solemnly and sincerely declare that the financial statements set out on pages 115 to 179 are, to the best of my knowledge and belief, correct and I make this solemn declaration conscientiously believing the declaration to be true, and by virtue of the Statutory Declarations Act, 1960.

Subscribed and solemnly declared by the abovenamed Anthony Yong Mun Seng, MIA CA: 25298, at Kuala Lumpur in the State of Federal Territory on 20 February 2023.

Anthony Yong Mun Seng
Finance Director

Before me:



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 statements of financial positions as at 31 December 2022 of the Group and of the Company, and the statements of profit or loss, 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 115 to 179.

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 2022, 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.

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 2022 amounts to RM411,618,000.

The Group performs annual impairment assessment of its goodwill with indefinite useful lives by comparing the carrying amount of the goodwill against the discounted cash flow forecasts of the cash generating unit to determine the amount of impairment loss which should be recognised for the year, if any.

We have identified goodwill assessment as a key audit matter for the Group because:

- the carrying amount is significant to the Group's total assets; and
- there is significant judgement involved in the forecasting and discounting of future cash flows, which is the basis of the Group's assessment of the recoverable value of the goodwill.

Independent Auditors' Report

To The Members Of British American Tobacco (Malaysia) Berhad
Registration No. 196101000326 (4372-M) (Incorporated in Malaysia)

How the matter was addressed in our audit

Our audit procedures included, amongst others:

- Evaluated Group's cash flow forecasts to the approved business plans by both Board of Directors and management;
- Compared prior year cash flow forecasts to current year actual results to assess the performance of the business and the reliability of prior year's forecast; and
- Tested the assumptions and methodologies used. To do this, we:
 - involved our internal valuation specialists to evaluate and compare the discount rate to similar companies in the market.
 - compared the key assumptions to externally derived data as well as our own assessments of the key inputs such as projected volumes and margins.
 - assessed the sensitivity of the outcome of the impairment assessment to changes in key assumptions.

We have determined that there are no key audit matters in the audit of the separate financial statements of the Company to communicate in our auditors' report.

Information Other than the Financial Statements and Auditors' Report Thereon

The Directors of the Company are responsible for the other information. The other information comprises the information included in the Directors' Report and Statement on Risk Management and Internal Control, but does not include the financial statements of the Group and of the Company and our auditors' report thereon, which we obtained prior to the date of this auditors' report, and the remaining parts of the annual report, which are expected to be made available to us after that date.

Our opinion on the financial statements of the Group and of the Company does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements of the Group and of the Company, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements of the Group and of the Company or our knowledge obtained in the audit, or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of the other information, we are required to report that fact. We have nothing to report in this regard.

When we read the remaining parts of the annual report, if we conclude that there is a material misstatement therein, we are required to communicate the matter to the Directors of the Company and take appropriate actions in accordance with approved standards on auditing in Malaysia and International Standards on Auditing.

Responsibilities of the Directors for the Financial Statements

The Directors of the Company are responsible for the preparation of financial statements of the Group and of the Company that give a true and fair view in accordance with Malaysian Financial Reporting Standards, International Financial Reporting Standards and the requirements of the Companies Act 2016 in Malaysia. The Directors are also responsible for such internal control as the Directors determine is necessary to enable the preparation of financial statements of the Group and of the Company that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements of the Group and of the Company, the Directors are responsible for assessing the ability of the Group and of the Company to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the Directors either intend to liquidate the Group or the Company or to cease operations, or have no realistic alternative but to do so.

Independent Auditors' Report

To The Members Of British American Tobacco (Malaysia) Berhad
Registration No. 196101000326 (4372-M) (Incorporated in Malaysia)

Auditors' Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements of the Group and of the Company as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with approved standards on auditing in Malaysia and International Standards on Auditing will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with approved standards on auditing in Malaysia and International Standards on Auditing, we exercise professional judgement and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements of the Group and of the Company, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the internal control of the Group and of the Company.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Directors.
- Conclude on the appropriateness of the Directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the ability of the Group or of the Company to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the financial statements of the Group and of the Company or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors' report. However, future events or conditions may cause the Group or the Company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements of the Group and of the Company, including the disclosures, and whether the financial statements of the Group and of the Company represent the underlying transactions and events in a manner that gives a true and fair view.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the financial statements of the Group. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with the Directors regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide the Directors with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

Independent Auditors' Report

To The Members Of British American Tobacco (Malaysia) Berhad
Registration No. 196101000326 (4372-M) (Incorporated in Malaysia)

Auditors' Responsibilities for the Audit of the Financial Statements (continued)

From the matters communicated with the Directors, we determine those matters that were of most significance in the audit of the financial statements of the Group and of the Company for the current year and are therefore the key audit matters. We describe these matters in our auditors' report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our auditors' report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

Report on Other Legal and Regulatory Requirements

In accordance with the requirements of the Companies Act 2016 in Malaysia, we report that the subsidiaries of which we have not acted as auditors are disclosed in Note 13 to the financial statements.

Other Matter

This report is made solely to the members of the Company, as a body, in accordance with Section 266 of the Companies Act 2016 in Malaysia and for no other purpose. We do not assume responsibility to any other person for the content of this report.

KPMG PLT
(LLP0010081-LCA & AF 0758)
Chartered Accountants

Petaling Jaya

Date: 20 February 2023

Adrian Lee Lye Wang
Approval Number: 02679/11/2023 J
Chartered Accountants

GRI STANDARDS INDEX

Statement of Use BAT Malaysia has reported the information cited in this GRI content index for the period 1 January 2022 to with reference to the GRI Standards.

GRI 1 Used GRI 1: Foundation 2021

GRI Disclosure	GRI Disclosure Description	Page Number	Remarks/ Omissions
GRI 2: General Disclosures 2021			
The organisation and its reporting practices			
2-1	Organisational details	page 8	
2-2	Entities included in the organisation's sustainability reporting	page 8	
2-3	Reporting period, frequency and contact point	page 1	
2-4	Restatements of information	-	There were no restatements in the reporting year.
2-5	External assurance	-	This Report has not been externally assured.
Activities and workers			
2-6	Activities, value chain and other business relationships	pages 8 to 11	
2-7	Employees	page 54	
2-8	Workers who are not employees	page 54	
Governance			
2-9	Governance structure and composition	Pages 66 to 96	
2-10	Nomination and selection of the highest governance body	Pages 66 to 96	
2-11	Chair of the highest governance body	Pages 66 to 96	
2-12	Role of the highest governance body in overseeing the management of impacts	Pages 66 to 96	
2-13	Delegation of responsibility for managing impacts	Pages 66 to 96	
2-14	Role of the highest governance in sustainability reporting	Pages 66 to 96	
2-15	Conflicts of interest	Pages 66 to 96	
2-16	Communication of critical concerns	Pages 94 to 95	
2-17	Collective knowledge of the highest governance body	Pages 66 to 96	
2-18	Evaluation of the performance of the highest governance body	Pages 66 to 96	
2-19	Remuneration policies	Pages 66 to 96	
2-20	Process to determine remuneration	Pages 66 to 96	
2-21	Annual total compensation ratio	Pages 66 to 96	
Strategy, policies and practices			
2-22	Statement on sustainable development strategy	Pages 16 to 17	
2-23	Policy commitments	Pages 66 to 96	
2-24	Embedding policy commitments	Pages 66 to 96	
2-25	Processes to remediate negative impacts	Pages 94 to 95	
2-26	Mechanisms for seeking advice and raising concerns	Pages 94 to 95	
2-27	Compliance with laws and regulations	Pages 66 to 96	
2-28	Membership 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, policies and practices			
2-29	Approach to stakeholder engagement	Page 21	
2-30	Collective bargaining agreements	-	No employees are covered by collective bargaining agreements in BAT Malaysia.
GRI 3: Material Topics 2021			
3-1	Process to determine material topics	Page 22	
3-2	List of material topics	Page 22	

GRI Standards Index

GRI Standard	Disclosure	Remarks/ Page Number	Omission
ECONOMIC			
Management Approach			
3-3	Management of Material Topics	Refer to Management Discussion and Analysis from pages 28 to 35	
201: Economic Performance			
3-3	Management of Material Topics	Refer to Management Discussion and Analysis from pages 28 to 35	
201-1	Direct economic value generated and distributed	Refer to Finance Director's Review on pages 32 to 35	
201-2	Financial implications and other risks and opportunities due to climate change	Refer to Environment in Sustainability on pages 46 to 47	
201-3	Defined benefit plan obligation and other retirement plans	In 2022, BAT Malaysia maintained its employer contribution for the Employees Provident Fund (EPF), which is 4 percent higher than the mandatory employer contribution. This involves 12 percent for salaries more than RM5,000 and 13 percent for salaries less than RM5,000. In total, BAT Malaysia contributed 16 percent or 17 percent to the employees' EPF.	
202: Market Presence			
3-3	Management of Material Topics	Refer to Management Discussion and Analysis on pages 28 to 35	
202-1	Ratios of standard entry level wage by gender compared to local minimum wage	BAT Malaysia ensures that its workforce is compensated above the prescribed amount in the Minimum Wages Order 2020 irrespective of gender or location.	
202-2	Proportion of senior management hired from local community	In 2022, 63 percent of our senior management were locals.	
203: Indirect Economic Impacts			
3-3	Management of Material Topics	Refer to Community in Sustainability on pages 62 to 63	
203-1	Infrastructure investments and services supported	Refer to Community in Sustainability on pages 62 to 63	
203-2	Significant indirect economic impacts	Refer to Community in Sustainability on pages 62 to 63	
204: Procurement Practices			
3-3	Management of Material Topics	Refer to Simpler and Smarter Organisation on page 31	
ENVIRONMENTAL			
103: Management Approach			
3-3	Management of Material Topics	Refer to Environment in Sustainability on pages 39 to 47	
302: Energy			
3-3	Management of Material Topics	Refer to Environment in Sustainability on page 43	
302-1	Energy Consumption Within the Organisation	Refer to Environment in Sustainability on page 43	
302-4	Reduction of Energy Consumption	Refer to Environment in Sustainability on page 43	

GRI Standards Index

GRI Standard	Disclosure	Remarks/ Page Number	Omission
ENVIRONMENTAL (continued)			
303: Water and Effluents 2018			
3-3	Management of Material Topics	Refer to Water in Sustainability on page 44	
303-1	Interactions with water as a shared resource	Refer to Water in Sustainability on page 44	
303-2	Management of water discharge-related impacts	Refer to Water in Sustainability on page 44	
303-3	Water withdrawal	Refer to Water in Sustainability on page 44	
303-4	Water discharge	Refer to Water in Sustainability on page 44	
303-5	Water consumption	Refer to Water in Sustainability on page 44	
305: Emissions			
3-3	Management of Material Topics	Refer to Climate Change in Sustainability on pages 41 to 42	
305-1	Direct (Scope 1) GHG Emissions	Refer to Climate Change in Sustainability on pages 41 to 42	
305-2	Energy indirect (Scope 2) GHG Emissions	Refer to Climate Change in Sustainability on pages 41 to 42	
305-3	Other indirect (Scope 3) GHG Emissions	Refer to Climate Change in Sustainability on pages 41 to 42	
305-4	GHG Emissions Intensity	Refer to Climate Change in Sustainability on pages 41 to 42	
305-5	Reduction of GHG Emissions	Refer to Climate Change in Sustainability on pages 41 to 42	
306: WASTE 2020			
3-3	Management of Material Topics	Refer to Waste in Sustainability on page 45	
306-1	Waste generation and significant waste-related impacts	Refer to Waste in Sustainability on page 45	
306-2	Management of significant waste-related impacts	Refer to Waste in Sustainability on page 45	
306-3	Waste generated	Refer to Waste in Sustainability on page 45	
306-4	Waste diverted from disposal	Refer to Waste in Sustainability on page 45	
306-5	Waste directed to disposal	Refer to Waste in Sustainability on page 45	
307: Environmental Compliance			
307-1	Non-compliance with environmental laws and regulations	There were no non-compliance with environmental laws and regulations.	
SOCIAL			
Management Approach			
3-3	Management of Material Topics	Refer to Social in Sustainability from pages 48 to 63	
401: Employment			
3-3	Management of Material Topics	Refer to Workforce from pages 48 to 56	
401-1	New employee hires and employee turnover	Refer to Attracting & Retaining The Best Talent in Sustainability on page 55	
401-2	Benefits provided to full-time employees that are not provided to temporary or part-time employees	Refer to Attracting & Retaining the Best Talent in Sustainability on page 56	
401-3	Parental leave	Refer to Diversity & Inclusion in Sustainability on page 55	

GRI Standards Index

GRI Standard	Disclosure	Remarks/ Page Number	Omission
SOCIAL (continued)			
403: Occupational Health and Safety			
3-3	Management of Material Topics	Refer to Workplace in Sustainability from pages 60 to 61	
403-1	Occupational Health and Safety Management System	Refer to Workplace in Sustainability from pages 60 to 61	
403-2	Hazard Identification, Risk Assessment and Incident Investigation	Refer to Workplace in Sustainability on page 60	
403-4	Worker participation, consultation and communication on occupational health and safety	Refer to Workplace in Sustainability on page 60	
403-5	Worker training on occupational health and safety	Refer to Workplace in Sustainability on pages 60 to 61	
403-8	Workers covered by an occupational health and safety management system	Refer to Workplace in Sustainability on page 60	
403-9	Work-related injuries	Refer to Workplace in Sustainability on page 61	
403-10	Work-related ill health	Refer to Workplace in Sustainability on page 61	
404: Training and Education			
3-3	Management of Material Topics	Refer to Accelerating Tomorrow's Leaders on page 48 to 52	
404-1	Average hours of training per year per employee	Refer to Investing in Leaders on page 52	
404-2	Programmes for upgrading employee skills and transition assistance programmes	Refer to Accelerating Tomorrow's Leaders on page 48 to 52	
404-3	Percentage of employees receiving regular performance and career development	100 percent of our employees received regular performance and career development.	
405: Diversity and Equal Opportunity			
3-3	Management of Material Topics	Refer to Diversity and Inclusion in Sustainability from pages 52 to 55	
405-1	Diversity of governance bodies and employees	Refer to Diversity and Inclusion in Sustainability from pages 53 to 54	
406: Non-Discrimination			
406-1	Incidents of discrimination and corrective actions taken	There were zero cases of discrimination reported in 2022. Refer to Diversity and Inclusion on page 52	
408: Child Labour			
408-1	Operations and suppliers at significant risk for incidents of child labour	Refer to Human Rights in Sustainability on page 61	
409: Forced or Compulsory Labour			
409-1	Operations and suppliers at significant risk for incidents of forced or compulsory labour	Refer to Human Rights in Sustainability on page 61	
410: Security Practices			
410-1	Security personnel trained in human rights policies or procedures	Refer to Human Rights in Sustainability on page 61	
411: Incidents of violations involving rights of indigenous peoples			
411-1	Incidents of violations involving rights of indigenous peoples	Refer to Human Rights in Sustainability on page 61	

GRI Standards Index

GRI Standard	Disclosure	Remarks/ Page Number	Omission
SOCIAL (continued)			
412: Human Rights Assessment			
3-3	Management of Material Topics	Refer to Human Rights in Sustainability on page 61	
412-1	Operations that have been subjected to human rights reviews or impact assessments	Refer to Human Rights in Sustainability on page 61	
412-2	Employee training on human rights policies or procedures	Refer to Human Rights in Sustainability on page 61	
413: Local Communities			
3-3	Management of Material Topics	Refer to Community in Sustainability on pages 62 to 63	
413-1	Operations with local community engagement, impact assessments and development programmes	Refer to Community in Sustainability on pages 62 to 63	
414: Supplier Social Assessment			
3-3	Management of Material Topics	Refer to Human Rights in Sustainability on page 61	
415: Public Policy			
415-1	Political contributions	There were no political contributions made by BAT Malaysia in 2022. Refer to Standards of our Business Conduct in the Corporate Governance Overview Statement on page 94	
416: Customer Health and Safety			
416-1	Assessment of the health and safety impacts of product and service categories	100 percent of our tobacco products are assessed to ensure compliance to the emission standard for cigarette as provided under the Control of Tobacco Product Regulations (CTPR).	
416-2	Incidents of non-compliance concerning the health and safety impacts of products and services	There were zero incidents of non-compliance concerning the health and safety impacts or products and services.	
418: Customer Privacy			
418-1	Substantiated complaints concerning breaches of customer privacy and losses of customer data	There were no substantiated complaints concerning breaches of customer privacy and losses of customer data in 2022.	
GOVERNANCE			
Management Approach			
3-3	Management of Material Topics	Refer to Our Governance from pages 64 to 105	
205: Anti-Corruption			
205-2	Communication and training about anti-corruption policies and procedures	100 percent of our employees completed the Anti-Bribery and Corruption e-module, which is mandatory and part of our Standards of Business Conduct. Our Anti-Bribery and Corruption policies and procedures are communicated to all our employees across all employment categories via email as well as the Standards of Business Conduct.	
205-3	Confirmed incidents of corruption and actions taken	There were zero confirmed incidents of corruption and actions taken in 2022.	
206: Anti-Competitive Behaviour			
206-1	Legal actions for anti-competitive behaviour, anti-trust and monopoly practices	There was no legal action taken against BAT Malaysia for anti-competitive behaviour, anti-trust or monopoly practices in 2022.	

Corporate Information

BOARD OF DIRECTORS

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

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

Dato' Chan Choon Ngai

DSNS
Senior Independent Non-Executive Director

Eric Ooi Lip Aun

Independent Non-Executive Director

Norliza binti Kamaruddin

Independent Non-Executive Director

Datuk Christine Lee Oi Kuan

DPSM
Non-Independent Non-Executive Director

Nedal Louay Salem

Executive Director/Managing Director

Anthony Yong Mun Seng

Executive Director/Finance Director

COMPANY SECRETARY

Sharifah Thaherah Syed Taha

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

Adiel Emir Ikram Aziz Al Rahim

(SSM Practicing Certificate No.: 202208000613)
(LS0010638)
Tel : +60(3) 2720 8188
Fax : +60(3) 2720 8106
Email : adiel_emir_ikram_aziz_al_rahim@bat.com

REGISTERED OFFICE

British American Tobacco (Malaysia) Berhad

[Registration No: 196101000326 (4372-M)]
Level 19, Guoco Tower
Damansara City
No. 6, Jalan Damanlela
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)]

Malayan Banking Berhad

[Registration No: 196001000142 (3813-K)]

Deutsche Bank (Malaysia) Berhad

[Registration No: 199401026871 (312552-W)]

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

Corporate Directory

Principal Offices

BRITISH AMERICAN TOBACCO (MALAYSIA) BERHAD

[Registration No. 196101000326 (4372-M)]

Head Office

Level 19, Guoco Tower

No. 6, Jalan Damansara

Bukit Damansara

50490 Kuala Lumpur

Tel : +60(3) 2720 8188

Fax : +60(3) 2720 8106

TOBACCO IMPORTERS AND MANUFACTURERS SDN. BHD.

[Registration No. 196101000373 (4414-U)]

Level 19, Guoco Tower

No. 6, Jalan Damansara

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 Damansara

Bukit Damansara

50490 Kuala Lumpur

Tel : +60(3) 2720 8188

Fax : +60(3) 2720 8106

Manufacturing Plant

TOBACCO IMPORTERS AND MANUFACTURERS SDN. BHD.

[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

SELANGOR

Level 10, Guoco Tower

No. 6, Jalan Damansara

Bukit Damansara

50490 Kuala Lumpur

Tel : +60(3) 2720 8211

KUALA LUMPUR

Level 10, Guoco Tower

No. 6, Jalan Damansara

Bukit Damansara

50490 Kuala Lumpur

Tel : +60(3) 2720 8210

SEREMBAN

No.305, Jalan Pusat Perdagangan

Sendayan 3/6,

Pusat Perdagangan

Sendayan

71950 Negeri Sembilan

IPOH

No. 1, Jalan Abdul Manan Taman Eden

30200 Ipoh Perak

Tel : +60(5) 5251981

PENANG

Level 5, Wisma Leader No. 8,

Jalan Larut 10050 Penang

Tel : +60(4) 287 4990

ALOR SETAR

No. 238, Jalan Kristal 3

Taman Perindustrian Ringan Kristal

05150 Alor Setar

Tel : +60(4) 737 2072

MELAKA

No. 12, Jalan Abadi 3

Taman Malim Jaya

75250 Melaka

Tel : +60(6) 337 6593

JOHOR BAHRU

No. 10 & 12, Jalan Roda 3 Skudai

81300 Johor Bahru

Tel : +60(7) 511 6141

+60(7) 511 2754

BATU PAHAT

No. 9, Jalan Komercial Pantai 1

Pusat Komercial Pantai

83000 Batu Pahat

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 AG-01-15, Alwaqf Garden

Boulevard @ Tunjong

Jalan Kuala Krai

16010 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

KUCHING

No. 19-A, Lot 3439, Block 12

Vista Industrial Park

Muara Tebas Land District

Off Jalan Setia Raja

93350 Kuching, Sarawak

Tel : +60(82) 362 112

Analysis of Shareholdings

as at 23 February 2023

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	907	5.37	9,773	0.00
100 - 1,000	8,142	48.17	4,808,277	1.68
1,001 - 10,000	6,519	38.57	23,854,056	8.35
10,001 - 100,000	1,207	7.14	32,206,538	11.28
100,001 - 14,276,499 *	127	0.75	81,886,256	28.68
14,276,500 and above **	1	0.01	142,765,100	50.00
Total	16,903	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	13,122	77.63	62,762,062	21.98
2. Body Corporate				
a. Banks/Finance Companies	4	0.02	159,296	0.06
b. Investments Trusts/Foundations/Charities	3	0.02	8,888	0.00
c. Industrial and Commercial Companies	210	1.24	148,163,989	51.89
3. Government Agencies/Institutions	1	0.01	2,548	0.00
4. Nominees	3,561	21.07	74,432,216	26.07
5. Others	2	0.01	1,001	0.00
6. Trustee	0	0.00	0	0.00
Total	16,903	100.00	285,530,000	100.00

Analysis of Shareholdings

as at 23 February 2023

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*	-	-

Interest in the Ultimate Holding Company British American Tobacco p.l.c.	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. Datuk Lee Oi Kuan	35,023	0.00*	-	-
2. Nedal Louay Salem	49,000	0.00*	-	-
3. Anthony Yong Mun Seng	276	0.00*	-	-

Note:

* Less than 0.01%

Analysis of Shareholdings

as at 23 February 2023

Directors' Direct and Indirect Interests in the Company and its Related Corporations

(As per Register of Directors' Shareholdings)

Interest in the Ultimate Holding Company British American Tobacco p.l.c.		Number of ordinary shares
Deferred Share Bonus Scheme & International Share Reward Scheme		Direct Interest
No. Name		No. of Shares Held
1.	Nedal Louay Salem	5,765
2.	Anthony Yong Mun Seng	3,438

Interest in the Ultimate Holding Company British American Tobacco p.l.c.		Number of options in ordinary shares
Long Term Incentive Plan		Direct Interest
No. Name		No. of Options Held
1.	Nedal Louay Salem	
	LTIP (30 March 2030)	1,986
	LTIP (29 March 2031)	1,942
	LTIP (25 March 2032)	7,146
2.	Anthony Yong Mun Seng	
	LTIP (25 March 2032)	1,924

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

List of Top Thirty Largest Shareholders

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

No. Name	No. of Shares Held	% of Issued Shares
1. British American Tobacco Holdings (Malaysia) B.V.	142,765,100	50.00
2. Cartaban Nominees (Tempatan) Sdn Bhd Standard Chartered Bank (Singapore) Limited for Tan Yu Yeh	10,048,000	3.52
3. Cartaban Nominees (Tempatan) Sdn Bhd Standard Chartered Bank (Singapore) Limited for Tan Yu Wei	5,000,000	1.75
4. Maybank Nominees (Tempatan) Sdn Bhd Pledged Securities Account for Douglas Cheng Heng Lee	4,304,300	1.51
5. Cartaban Nominees (Asing) Sdn Bhd Exempt AN for State Street Bank & Trust Company (West CLT OD67)	4,162,574	1.46
6. Kam Loong Mining Sdn Bhd	3,712,000	1.30
7. HSBC Nominees (Asing) Sdn Bhd BBH and Co Boston for PRUSIK Asian Equity Income Fund (PRUSIK U FD PLC)	3,408,600	1.19
8. Yap Ah Fatt	2,521,000	0.88

Analysis of Shareholdings

as at 23 February 2023

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
9.	HSBC Nominees (Asing) Sdn Bhd JPMCB NA for Vanguard Total International Stock Index Fund	2,123,069	0.74
10.	Citigroup Nominees (Tempatan) Sdn Bhd Great Eastern Life Assurance (Malaysia) Berhad (Par 1)	2,094,200	0.73
11.	Toh Ean Hai	2,060,000	0.72
12.	Cartaban Nominees (Asing) Sdn Bhd State Street London Fund OD80 for iShares V Public Limited Company	2,037,647	0.71
13.	HSBC Nominees (Asing) Sdn Bhd JPMCB NA for Vanguard Emerging Markets Stock Index Fund	1,933,234	0.68
14.	Citigroup Nominees (Tempatan) Sdn Bhd Great Eastern Life Assurance (Malaysia) Berhad (SHF)	1,900,000	0.67
15.	CIMSEC Nominees (Tempatan) Sdn Bhd CIMB for Douglas Cheng Heng Lee (PB)	1,825,600	0.64
16.	Wong Chuan Keong	1,778,000	0.62
17.	Foo Khen Ling	1,180,000	0.41
18.	UOB Kay Hian Nominees (Asing) Sdn Bhd Exempt AN for UOB Kay Hian Pte Ltd (A/C Clients)	1,165,524	0.41
19.	Tan Yu Wei	1,111,700	0.39
20.	CIMSEC Nominees (Tempatan) Sdn Bhd Exempt AN for CIMB Commerce Trustee Berhad for Pearson Trust (PB)	975,200	0.34
21.	HSBC Nominees (Tempatan) Sdn Bhd Exempt AN for Credit Suisse (SG BR-TST-Temp)	895,500	0.31
22.	Cartaban Nominees (Asing) Sdn Bhd Exempt AN for Standard Chartered Bank Singapore Branch (SG PVB CL AC)	865,900	0.30
23.	Kam Loong Credit Sdn Bhd	808,000	0.28
24.	Woon Chen Chin	800,000	0.28
25.	Citigroup Nominees (Tempatan) Sdn Bhd Great Eastern Life Assurance (Malaysia) Berhad (Leef)	792,500	0.28
26.	HSBC Nominees (Tempatan) Sdn Bhd JPMCB NA for Vanguard Fiduciary Trust Company Institutional Total International Stock Market Index Trust II	788,200	0.28
27.	CIMB Group Nominees (Tempatan) Sdn Bhd Hong Leong Asset Management Bhd for Hong Leong Assurance Berhad (LP Fund ED102)	750,000	0.26
28.	Citigroup Nominees (Asing) Sdn Bhd CBNY For Emerging Market Core Equity Portfolio DFA Investment Dimensions Group Inc	744,228	0.26
29.	Lim Sew Muei	615,300	0.22
30.	Cartaban Nominees (Asing) Sdn Bhd Exempt AN For Barclays Capital Securities Ltd (SBL/PB)	614,411	0.22
Total		203,779,787	71.37

Notice of Annual General Meeting

NOTICE IS HEREBY GIVEN that the Sixty-Second (62nd) Annual General Meeting (**AGM** or **Meeting**) 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 and via the TIH Online website at <https://tiih.online> on **Wednesday, 3 May 2023 at 9.30 a.m.** for the following purposes:

1. To receive the Audited Financial Statements for the financial year ended 31 December 2022 and the Reports of the Directors and Auditors thereon.

Please refer to Explanatory Note 9 (Note A)

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

- i. Tan Sri Dato' Seri Dr. Aseh bin Haji Che Mat

Ordinary Resolution 1

- ii. Dato' Chan Choon Ngai

Ordinary Resolution 2

- iii. Eric Ooi Lip Aun

Ordinary Resolution 3

Please refer to Explanatory Note 9

3. To approve the payment of Directors' fees and Board Committees' fees to the Non-Executive Directors for the period commencing 4 May 2023 until the next AGM of the Company.

Ordinary Resolution 4

Please refer to Explanatory Note 9

4. To approve the payment of Directors' benefits to the Non-Executive Directors of up to RM250,000 for the period commencing 4 May 2023 until the next AGM of the Company.

Ordinary Resolution 5

Please refer to Explanatory Note 9

5. To re-appoint KPMG PLT as the Auditors of the Company for the financial year ending 31 December 2023 and to authorise the Directors to fix their remuneration.

Ordinary Resolution 6

AS SPECIAL BUSINESS

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

6. **Proposed Renewal of Shareholders' Mandate for the Company and its Subsidiaries to enter into Recurrent Related Party Transactions of a Revenue or Trading Nature with Related Parties (Proposed Renewal of the Recurrent RPTs Mandate)**

Ordinary Resolution 7

"THAT, the Recurrent RPTs Mandate (as defined in the Circular to Shareholders dated 4 April 2023) 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 Circular to Shareholders dated 4 April 2023 which are necessary for British American Tobacco Malaysia Group's day-to-day operations, be and is hereby renewed and approved, provided that:

- i. the transactions are in the ordinary course of business and are on normal commercial terms which are not more favourable to the Related Parties than those generally available to the public and are not to the detriment of the minority shareholders to the Company; and
 - ii. disclosure of the aggregate value of the transactions conducted during a financial year will be made in the annual report for the said financial year,

Notice of Annual General Meeting

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 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 4 April 2023 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 4 April 2023.

Please refer to Explanatory Note 10

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

FURTHER NOTICE IS HEREBY GIVEN THAT for the purpose of determining a member who shall be entitled to attend the 62nd AGM, the Company shall be requesting Bursa Malaysia Depository Sdn Bhd in accordance with Clause 71 of the Constitution and Section 34(1) of the Securities Industry (Central Depositories) Act 1991, to issue a General Meeting Record of Depositors as at 21 April 2023. Only a member whose name appears on this Record of Depositors shall be entitled to attend the said Meeting or appoint proxies to attend and/or vote on his/her behalf.

By Order of the Board

BRITISH AMERICAN TOBACCO (MALAYSIA) BERHAD

Sharifah Thaherah Syed Taha (MACS01735) (SSM PC No.: 202008004234)
Adiel Emir Ikram Aziz Al Rahim (LS0010638) (SSM PC No.: 202208000613)

Company Secretaries

Kuala Lumpur
4 April 2023

Notice of Annual General Meeting

Notes:

1. The 62nd AGM will be conducted virtually through live streaming and online voting using Remote Participation and Voting (**RPV**) facilities which are available on Tricor Investor & Issuing House Services Sdn Bhd's TIH Online website at <https://tiah.online>. Please refer to the Administrative Details of the 62nd AGM in order to register, participate and vote remotely via the RPV facilities.
2. The broadcast venue of the 62nd AGM is strictly for the purpose of complying with Section 327(2) of the Companies Act 2016 which requires the Chairman of the Meeting to be present at the main venue. **No members/proxy(ies) will be allowed to be physically present at the broadcast venue.** If a member is not able to attend the Meeting via RPV facilities, he/she can appoint the Chairman of the Meeting as his/her proxy and indicate the voting instructions in the proxy form.
3. A member entitled to attend and vote remotely at the Meeting is entitled to appoint not more than two (2) proxies to attend and vote remotely on his/her behalf. Where a member appoints two (2) proxies, the appointment shall be invalid unless the percentage of the shareholding to be represented by each proxy is specified. A proxy need not be a member of the Company.
4. Where a member of the Company is an exempt authorised nominee which holds ordinary shares in the Company for multiple beneficial owners in one securities account (**Omnibus Account**), there is no limit to the number of proxies which the exempt authorised nominees may appoint in respect of each Omnibus Account it holds. An exempt authorised nominee refers to an authorised nominee defined under the Securities Industry (Central Depositories) Act 1991 (Central Depositories Act) which is exempted from compliance with the provisions of subsection 25A(1) of the Central Depositories Act.
5. The instrument appointing a proxy(ies) must be under the hand of the appointer or of his/her attorney duly authorised in writing. Where the instrument appointing a proxy(ies) is executed by a corporation, it must be executed either under its seal or under the hand of any officer or attorney duly authorised.
6. If there is no indication as to how a member wishes his/her vote to be cast, the proxy will vote or abstain from voting at his/her discretion. In the event a member duly executes the proxy form but does not name any proxy, such member shall be deemed to have appointed the Chairman of the Meeting as his/her proxy.
7. The proxy form must be duly executed and deposited at the Share Registrar of the Company at Tricor Investor & Issuing House Services Sdn Bhd, Unit 32-01, Level 32, Tower A, Vertical Business Suite, Avenue 3, Bangsar South, No. 8, Jalan Kerinchi, 59200 Kuala Lumpur or alternatively, the Customer Service Centre at Unit G-3, Ground Floor, Vertical Podium, Avenue 3, Bangsar South, No. 8, Jalan Kerinchi, 59200 Kuala Lumpur, Malaysia not less than forty-eight (48) hours before the time appointed for holding the meeting or adjourned meeting or **no later than 1 May 2023 at 9.30 a.m.** The proxy appointment may also be lodged electronically via Tricor's TIH Online website at <https://tiah.online>.
8. Pursuant to Paragraph 8.29A(1) of the Main Market Listing Requirements of Bursa Malaysia Securities Berhad, all the Resolutions set out in this Notice will be put to vote by poll.
9. **Explanatory Notes on Ordinary Business**

Note A

The Audited Financial Statements for the financial year ended 31 December 2022 under Agenda item 1 are meant for discussion only in accordance with the provision of Section 340(1)(a) of the Companies Act, 2016, and it does not require a formal approval of the shareholders. Hence, this agenda item will not be put forward for voting.

Ordinary Resolutions 1, 2 and 3 – To re-elect Tan Sri Dato' Seri Dr. Aseh bin Haji Che Mat, Dato' Chan Choon Ngai and Eric Ooi Lip Aun as Directors

Clause 109.1 of the Constitution of the Company states that one-third (1/3) of the Directors shall retire from office and be eligible for re-election at the annual general meeting.

Notice of Annual General Meeting

Tan Sri Dato' Seri Dr. Aseh bin Haji Che Mat, Dato' Chan Choon Ngai and Eric Ooi Lip Aun being eligible, has offered themselves for re-election as Directors at the 62nd AGM. The Board has endorsed the Nomination and Remuneration Committee's recommendation on the re-election of the retiring Directors. The retiring Directors had abstained from deliberations and decisions on their re-election at the Nomination and Remuneration Committee and Board meetings.

The Nomination and Remuneration Committee had assessed Tan Sri Dato' Seri Dr. Aseh bin Haji Che Mat and considered the Director's performance and contribution based on the Board and Directors Effectiveness Evaluation, his contribution to the Board deliberations, time commitment and his ability to act in the best interests of the Company in decision-making. The Nomination and Remuneration Committee also reviewed and assessed Tan Sri Dato' Seri Dr. Aseh's independence in accordance with the Main Market Listing Requirements of Bursa Malaysia Securities Berhad as well as Fit & Proper Assessment based on the Fit & Proper Policy of the Company. The Board had endorsed the Nomination and Remuneration Committee's recommendation subject to the shareholders' approval at this AGM.

The Nomination and Remuneration Committee had assessed Dato' Chan Choon Ngai and considered the Director's performance and contribution based on the Board and Directors Effectiveness Evaluation, his contribution to the Board deliberations, time commitment and his ability to act in the best interests of the Company in decision-making. The Nomination and Remuneration Committee also reviewed and assessed Dato' Chan Choon Ngai's independence in accordance with the Main Market Listing Requirements of Bursa Malaysia Securities Berhad as well as Fit & Proper Assessment based on the Fit & Proper Policy of the Company. The Board had endorsed the Nomination and Remuneration Committee's recommendation subject to the shareholders' approval at this AGM.

The Nomination and Remuneration Committee had assessed Eric Ooi Lip Aun and considered the Director's performance and contribution based on the Board and Directors Effectiveness Evaluation, his contribution to the Board deliberations, time commitment and his ability to act in the best interests of the Company in decision-making. The Nomination and Remuneration Committee also reviewed and assessed Eric Ooi Lip Aun's independence in accordance with the Main Market Listing Requirements of Bursa Malaysia Securities Berhad as well as Fit & Proper Assessment based on the Fit & Proper Policy of the Company. The Board had endorsed the Nomination and Remuneration Committee's recommendation subject to the shareholders' approval at this AGM.

The details and profiles of Directors who are standing for re-election at the 62nd AGM are provided in the Directors Profile Section of the Company's Annual Report 2022.

Ordinary Resolution 4 – Payment of Directors' fees and Board Committees' fees to the Non-Executive Directors.

- i) The Company is seeking shareholders' approval for the payment of Directors' fees and Board Committees' fees to Non-Executive Directors for the period commencing 4 May 2023 until the next AGM of the Company based on the fee structure below.

Structure	Chairman	Member
	Fee (RM per annum)	Fee (RM per annum)
Board of Directors	345,000	100,000
Audit Committee	10,000	-
Nomination and Remuneration Committee	-	-
Risk Management Committee	10,000	-
Sustainability Committee	10,000	-

Notice of Annual General Meeting

- ii) The current NRC Chair is the Chairman of the Board. To be more aligned with the Malaysian Code on Corporate Governance, specifically with Practice 1.4, the Company will appoint a new NRC Chair, who will be paid the following fees:

Structure	Chairman
	Fee (RM per annum)
Nomination and Remuneration Committee	10,000

Ordinary Resolution 5 – Payment of Non-Executive Directors' benefits of up to RM250,000

The Company is seeking shareholders' approval for the payment of Non-Executive Directors' benefits of up to RM250,000 for the period commencing 4 May 2023 until the next AGM of the Company based on the fee structure below.

The details of the Non-Executive Directors' benefits structure adopted by the Company are as follows:

Structure	Chairman	Member
	Allowance (RM per annum)	Meeting Allowance (RM per meeting)
Board of Directors	154,092	-
Audit Committee	-	1,000
Nomination and Remuneration Committee	-	1,000
Risk Management Committee	-	1,000
Sustainability Committee	-	1,000

The Non-Executive Directors who are shareholders of the Company will abstain from voting on Resolution 4 and Resolution 5.

Ordinary Resolution 6 – Re-appointment of Auditors

The Audit Committee had undertaken an annual assessment of the external auditors, KPMG PLT on their independence, scope of audit, audit fee, expert and experience, performance based on annual audit scope and planning. The Audit Committee was satisfied with the suitability of KPMG PLT on the quality of audit, performance, competency and sufficiency of resources the external audit team provided to the Company.

Notice of Annual General Meeting

10. Explanatory Notes on Special Business

Ordinary Resolution 7 – Proposed Renewal of the Recurrent RPTs Mandate

The proposed resolution, if passed, will enable British American Tobacco Malaysia Group to enter into the recurrent related party transactions of a revenue or trading nature which are necessary for the British American Tobacco Malaysia Group's day-to-day operations, subject to the transactions being in the ordinary course of business and on normal commercial terms which are not more favourable to the related parties than those generally available to the public and are not to the detriment of the minority shareholders of the Company.

Further information on the Proposed Renewal of the Recurrent RPTs Mandate is set out in the Circular to Shareholders dated 4 April 2023, which is available at the Company's corporate website at www.batmalaysia.com.

11. Personal Data Privacy

By lodging of a completed proxy form to the Company and the Share Registrar (as the case may be) for appointing a proxy(ies) and/or representative(s) to attend and vote remotely at the 62nd AGM and any adjournment thereof, 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 62nd AGM (including any adjournment thereof), and in order for the Company and the Share Registrar (as the case may be) to comply with any applicable laws, listing rules, regulations and/or guidelines (collectively the **Purpose**).
- ii. warranting that where the member discloses the personal data of shareholder's proxy(ies) and/or representative(s) to the Company and the Share Registrar (as the case may be), the shareholder has obtained to prior consent of such proxy(ies) and/or representative(s) for the collection, use and disclosure by the Company and the Share Registrar (as the case may be) of the personal data of such proxy(ies) and/or representative(s) for the purpose (**Warranty**); and
- iii. agreeing that the member will indemnify the Company and the Share Registrar (as the case may be) in respect of any penalties, liabilities, claims, demands, losses and damages as a result of the Shareholder's breach of Warranty.

For the purpose of the paragraph, "personal data" shall have the same meaning given in section 4 of Personal Data Protection Act 2010.

Statement Accompanying Notice of the 62nd AGM

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

There are no Directors standing for election at the forthcoming 62nd AGM.

Administrative Details

For British American Tobacco (Malaysia) Berhad
62nd AGM

Date : Wednesday, 3 May 2023

Time : 9.30 a.m.

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

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

1. Public Health Preventive Measure

- The 62nd AGM will be conducted virtually through live streaming and online remote voting using Remote Participation and Voting (“**RPV**”) facilities which are available on Tricor Investors & Issuing House Services Sdn Bhd’s TIIH Online website at <https://tiih.online>.
- The broadcast venue of the 62nd AGM is strictly for the purpose of complying with Section 327(2) of the Companies Act 2016 which requires the Chairman of the Meeting to be present at the main venue. **No members/proxy(ies) will be allowed to be physically present at the broadcast venue.**
- We **strongly encourage** you to attend the 62nd AGM using the RPV facilities. You may consider appointing the Chairman of the Meeting as your proxy to attend and vote on your behalf at the 62nd AGM.

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 21 April 2023 (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 62nd AGM in respect of the number of shares registered in their name at that time.
- If a member wish to participate in the 62nd AGM via the RPV facilities, please **do not** submit any proxy form. You will not be allowed to participate in the 62nd AGM together with a proxy appointed by you.
- Members/proxies/corporate representatives/attorneys who wish to participate in the 62nd AGM remotely using the RPV facilities, please do read and follow the procedures in **Appendix A**.

As the 62nd AGM is a virtual AGM, members who are unable to participate in the 62nd 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 62nd 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 62nd AGM whether in hardcopy or by electronic means shall be deposited or submitted in the following manner not less than forty-eight (48) hours before the time appointed for the taking of poll or **no later than 1 May 2023 at 9.30 a.m.:**
 - In hard copy form:
 - In the case of an appointment made in hard copy form, the proxy form must be duly executed and deposited with Tricor Investor & Issuing House Services Sdn Bhd, Unit 32-01, Level 32, Tower A, Vertical Business Suite, Avenue 3, Bangsar South, No. 8, Jalan Kerinchi, 59200 Kuala Lumpur or alternatively, the Customer Service Centre at Unit G-3, Ground Floor, Vertical Podium, Avenue 3, Bangsar South, No. 8 Jalan Kerinchi, 59200 Kuala Lumpur.
 - 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.

Administrative Details

For British American Tobacco (Malaysia) Berhad
62nd AGM

- Corporate members through corporate representative (s) or nominees companies (through the beneficiary of shares held under a nominee company's Central Depository System ("CDS") account) or attorney(s) appointed as power of attorney, who wish to appoint their proxy(ies) or the Chairman of the Meeting for the 62nd AGM, shall submit their original/certificate of appointment of corporate representative or power of attorney upon request for verification whether in hardcopy or by electronic means, and shall be deposited or submitted in the following not less than forty-eight (48) hours before the time appointed for the taking of poll or no later than **1 May 2023 at 9.30 a.m.**:
 - i. In hard copy form:
 - In the case of an appointment made in hard copy form, the proxy form must be duly executed and deposited with Tricor Investor & Issuing House Services Sdn Bhd, Unit 32-01, Level 32, Tower A, Vertical Business Suite, Avenue 3, Bangsar South, No. 8, Jalan Kerinchi, 59200 Kuala Lumpur or alternatively, the Customer Service Centre at Unit G-3, Ground Floor, Vertical Podium, Avenue 3, Bangsar South, No. 8 Jalan Kerinchi, 59200 Kuala Lumpur.
 - ii. By electronic form:
 - In the case of an appointment made in electronic form, the proxy form can be electronically lodged via TIIH Online. Kindly refer to the Procedures for Electronic Submission of Proxy Form in Appendix A.

4. Voting Procedure

- Voting at the 62nd AGM will be conducted on polling basis. The Company's Share Registrar, Tricor, is appointed as Poll Administrator to conduct the polling process. An Independent Scrutineer is appointed to verify and validate the results of the poll.
- Members can proceed to vote on the resolutions at any time from the commencement of the 62nd AGM at 9.30 a.m. via RPV facilities and complete voting before the end of the voting session, which will be announced by the Chairman of the Meeting.

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

- The Board recognises that the 62nd AGM is a valuable opportunity for the Board to engage with members. In order to enhance the efficiency of the proceedings of the 62nd AGM, members may in advance, prior to the 62nd 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 **1 May 2023 at 9.30 a.m.** The Board will endeavour to address the questions received at the 62nd AGM.

6. No recording or photography

- Strictly **NO recording or photography** of the proceedings of the 62nd AGM is allowed.

Administrative Details

For British American Tobacco (Malaysia) Berhad
62nd AGM

7. Enquiry

- If you have general queries prior to the 62nd AGM, please contact the following persons during office hours i.e. from 8.30 a.m. to 5.30 p.m. (Monday to Friday):

Tricor Investor & Issuing House Services Sdn Bhd Registration No.197101000970 (11324-H) Unit 32-01, Level 32, Tower A, Vertical Business Suite, Avenue 3, Bangsar South, No.8 Jalan Kerinchi, 59200 Kuala Lumpur, Malaysia.	General Line No.	+60(3) 27839299
	Fax No.	+60(3) 27839222
	Email	is.enquiry@my.tricorglobal.com
	Ms. Lim Lay Kiow	+60(3) 27839232 Lay.Kiow.Lim@my.tricorglobal.com
	Ms. Siti Zalina	+60(3) 27839247 Siti.Zalina@my.tricorglobal.com
	Mr. Lim Jia Jin	+60(3) 27839246 Jia.Jin.Lim@my.tricorglobal.com

Appendix A

Procedures for RPV

Shareholders, proxies or authorised representatives who wish to participate the 62nd AGM of the Company using the RPV Facilities are to follow the requirements and procedures summarised below:

Procedure	Action
BEFORE THE AGM DAY	
a. Register as a new user with TIIH Online	<ul style="list-style-type: none"> Using your computer, access the TIIH Online website at https://tiih.online. Register as a new user under “e-Services” by selecting “Create Account by Individual Holder”. Refer to the tutorial guide on the homepage for assistance. Registration as a new user will be approved within one (1) working day and you will be notified via e-mail. If you are already a TIIH Online user, you are not required to register again. You will receive an email to notify you that the remote participation is available for registration at TIIH Online.
b. Submit your request to attend the 62 nd AGM remotely	<ul style="list-style-type: none"> Registration is open from Tuesday, 4 April 2023 until the day of the 62nd AGM on Wednesday, 3 May 2023. Member(s)/proxy(ies)/corporate representative(s)/attorney(s) are required to pre-register their attendance for the 62nd AGM to ascertain their eligibility to participate in the 62nd AGM using RPV. Login with your user ID and password and select the corporate event: “(REGISTRATION) BAT Malaysia 62nd AGM”. Read and agree to the “Terms and Conditions” and confirm the “Declaration”. Select “Register for Remote Participating and Voting”. Review your registration and proceed to register. The system will send an email to notify that your registration for remote participation has been received and will be verified. Upon verification of your registration against the General Meeting Record of Depositors as at 21 April 2023, the system will send you an email after 1 May 2023 to approve or reject your registration for remote participation. <p>(IMPORTANT: Please allow sufficient time for approval of new user of TIIH Online and registration for RPV).</p>

Administrative Details

For British American Tobacco (Malaysia) Berhad
62nd AGM

Procedure		Action
ON THE AGM DAY		
a.	Login to TIIH Online	<ul style="list-style-type: none"> Login with your user ID name and password for remote participation in the 62nd AGM at any time from 8.30 a.m. (i.e. 1 hour) before the commencement of the meeting at 9.30 a.m. on Wednesday, 3 May 2023.
b.	Participate through live streaming	<ul style="list-style-type: none"> Select “(LIVE STREAMING MEETING) BAT Malaysia 62nd AGM” to engage in the proceedings of the AGM remotely. If you have any questions for the Chairman/Board, you may use the query box to submit your question. The Chairman/Board will try to respond to the questions submitted by remote participants during the 62nd AGM. In the event of time constraint, the responses will then be emailed to you at the earliest possible time, after the meeting.
c.	Online remote voting	<ul style="list-style-type: none"> Voting session commences from 9.30 a.m. on Wednesday, 3 May 2023 until a time when the Chairman of the Meeting announces the end of the voting session. Select the corporate event: “(REMOTE VOTING) BAT Malaysia 62nd 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 62nd AGM, the live streaming will end.

Note to users of the RPV facilities:

- Should your registration for the RPV facilities be approved, Tricor will make available to you the rights to join the live streaming meeting and to vote remotely. Your login to TIIH Online on the day of the meeting will indicate your presence at the virtual meeting.
- The quality of your connection to the live streaming depends on your internet bandwidth, the stability of your internet connection, and the device you are using.
- In the event you encounter any issues with the login, connection to the live streaming meeting, or online voting, kindly contact Tricor Helpline at 011-40805616/011-40803168/011-40803169/011-40803170 or email to tiih.online@my.tricorglobal.com for assistance.

Administrative Details

For British American Tobacco (Malaysia) Berhad
62nd AGM

Procedures for Electronic Submission of Proxy Form Appointment of Proxy(ies)/Corporate Representative (s)/Attorney(s)

Procedure	Action
BEFORE THE AGM DAY APPOINTMENT OF PROXY: INDIVIDUAL SHAREHOLDERS	
a. Register as a new user with TIIH Online	<ul style="list-style-type: none"> Using your computer, access TIIH Online website at https://tiih.online. Register as a new user under “e-Services”. Refer to the tutorial guide on the homepage for assistance. If you are already a TIIH Online user, you are not required to register again.
b. Proceed with the submission of Proxy Form	<ul style="list-style-type: none"> After the release of the Notice of meeting by the Company, login with your user ID and password. Select the corporate event: “BAT Malaysia 62nd AGM: Submission of Proxy Form”. Read and agree to the “Terms and Conditions” and confirm the “Declaration”. Insert the CDS account number and indicate the number of shares for your proxy(ies) to vote on your behalf. Appoint your proxy(ies) and insert the required details of your proxy(ies) or appoint the Chairman of the Meeting as your proxy. Indicate your voting instructions – “FOR” or “AGAINST”, otherwise your proxy(ies) will decide your vote. Review and confirm your proxy(ies) appointment. Print the Proxy Form for your record.
BEFORE THE AGM DAY APPOINTMENT OF PROXY : CORPORATE OR INSTITUTIONAL SHAREHOLDERS	
a. Register as a new user with TIIH Online	<ul style="list-style-type: none"> Using your computer, access TIIH Online website at https://tiih.online. Register as a new user under “e-Services” by selecting “Create Account by Representative of Corporate Holder”. Please complete the registration form and upload the required documents. Your registration will be verified, and you will be notified by email within one (1) to two (2) working days. Proceed to activate your account with the temporary password given in the email and reset your password. <p>Note: 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 the corporate event: “BAT Malaysia 62nd AGM: Submission of Proxy Form”. Read and agree to the “Terms and Conditions” and confirm the “Declaration”. Proceed to download the file format for the “Submission of Proxy Form” in accordance with the Guidance Note set therein. Prepare the file for the appointment of proxies by inserting the required data. Proceed to upload the duly completed proxy appointment file. Select “Submit” to complete your submission. Print the confirmation report of your submission for your record.

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PROXY FORM

BRITISH AMERICAN TOBACCO (MALAYSIA) BERHAD

[Registration No. 196101000326 (4372-M)]

(Incorporated in Malaysia)



CDS Account No.

I/We _____ (NRIC/Passport/Co. No.: _____)

(Name as per NRIC/Passport/Certificate of Incorporation in Capital Letters)

of _____

(Full Address)

being a member/members of BRITISH AMERICAN TOBACCO (MALAYSIA) BERHAD (the "Company"), do hereby appoint

_____ (NRIC/Passport No.: _____)

(Name as per NRIC/Passport in Capital Letters)

of _____

(Full Address)

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

(Name as per NRIC/Passport in Capital Letters)

of _____

(Full Address)

or failing him/her, the Chairman of the Meeting as my/our proxy/proxies to vote for me/us and on my/our behalf at the Sixty-Second ("62nd") Annual General Meeting ("AGM" or "Meeting") 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** and via the TIH Online website at <https://tiah.online> on **Wednesday, 3 May 2023 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 Tan Sri Dato' Seri Dr. Aseh bin Haji Che Mat who retires pursuant to Clause 109.1 of the Constitution of the Company.		
Ordinary Resolution 2	Re-election of Dato' Chan Choon Ngai who retires pursuant to Clause 109.1 of the Constitution of the Company.		
Ordinary Resolution 3	Re-election of Eric Ooi Lip Aun who retires pursuant to Clause 109.1 of the Constitution of the Company.		
Ordinary Resolution 4	Approval of payment of Directors' fees and Board Committees' fees to the Non-Executive Directors for the period commencing 4 May 2023 until the next AGM of the Company.		
Ordinary Resolution 5	Approval of payment of Directors' benefits to the Non-Executive Directors of up to RM250,000 for the period commencing 4 May 2023 until the next AGM of the Company.		
Ordinary Resolution 6	Re-appointment of KPMG PLT as Auditors of the Company for the financial year ending 31 December 2023 and to authorise Directors to fix their remuneration.		
Ordinary Resolution 7	Proposed Renewal of the Recurrent Related Party Transactions Mandate.		

Dated this _____ day of _____ 2023

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

	No. of Shares	Percentage
Proxy 1		
Proxy 2		
TOTAL		100

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

Notes:

1. The 62nd AGM will be conducted virtually 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://tjih.online>. Please refer to the Administrative Details of the 62nd AGM in order to register, participate and vote remotely via the RPV facilities.
2. The broadcast venue of the 62nd AGM is strictly for the purpose of complying with Section 327(2) of the Companies Act 2016, which requires the Chairman of the Meeting to be present at the main venue. **No members/proxy(ies) will be allowed to be physically present at the broadcast venue.** If a member is not able to attend the Meeting via RPV facilities, he/she can appoint the Chairman of the Meeting as his/her proxy and indicate the voting instructions in the proxy form.
3. A member entitled to attend and vote remotely at the Meeting is entitled to appoint not more than two (2) proxies to attend and vote remotely on his/her behalf. Where a member appoints two (2) proxies, the appointment shall be invalid unless the percentage of the shareholding to be represented by each proxy is specified. A proxy need not be a member of the Company.
4. Where a member of the Company is an exempt authorised nominee that holds ordinary shares in the Company for multiple beneficial owners in one securities account ("**Omnibus Account**"), there is no limit to the number of proxies that the exempt authorised nominees may appoint in respect of each Omnibus Account it holds. An exempt authorised nominee refers to an authorised nominee defined under the Securities Industry (Central Depositories) Act 1991 ("**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.

The proxy form must be duly executed and deposited at the Registrar of Company at Tricor Investor & Issuing House Services Sdn Bhd, Unit 32-01, Level 32, Tower A, Vertical Business Suite, Avenue 3, Bangsar South, No. 8, Jalan Kerinchi, 59200 Kuala Lumpur, not less than forty-eight (48) hours before the time appointed for the taking of poll or **no later than 1 May 2023 at 9.30 a.m.** The proxy appointment may also be lodged electronically via TIIH Online website at <https://tjih.online>.
7. Pursuant to Paragraph 8.29A(1) of the Main Market Listing Requirements of Bursa Malaysia Securities Berhad, all the Resolutions set out in this Notice will be put to vote by poll.
8. For the purpose of determining a member who shall be entitled to attend the 62nd AGM, the Company shall be requesting Bursa Malaysia Depository Sdn Bhd in accordance with Clause 71 of the Constitution and Section 34(1) of the Securities Industry (Central Depositories) Act 1991, to issue a General Meeting Record of Depositors as at 21 April 2023 shall be entitled to attend the said Meeting or appoint proxies to attend and/or vote on his/her behalf.

Please refer to the personal data privacy terms set out in the Notice of the 62nd AGM dated 4 April 2023.

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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