

British America Tobacco (Malaysia) Berhad

Executive Directors And Senior Management Remuneration Framework

The principles for Executive Directors and Senior Management remuneration is approved each year by the Remuneration Committee, which are outlined below, as it applies to remuneration paid during 2018.

Our principles of remuneration – summary

- The Company’s remuneration principles seek to reward the delivery of the Company’s strategy which is aligned to shareholders’ long-term sustainable interests.
- The remuneration structure comprises fixed and variable elements. These rewards are structured and designed to be both transparent and stretching while recognising the skills and experience of employees and ensuring a market competitiveness for talent.
- The pay structure is defined by “grade” which refers to the weight of a particular role in relation to its accountabilities as evaluated by an internationally recognized method for job evaluation.
- The Company practices equal pay for all employees who perform similar roles regardless of gender or other individual factors.
- The fixed elements comprise base salary, statutory payments such as Employee Provident Fund & SOCSO and other benefits. Annual reviews to base pay are closely linked to individual performance which drives productivity and business results.
- The variable elements for Executive Directors and Senior Management are provided via two performance-based incentive schemes (a single cash and share incentive annual bonus plan (STI), and a single long-term incentive scheme (LTIP)) which are paid in line with schemes operated by British America Tobacco p.l.c.
- In applying these principles, the Remuneration Committee maintains an appropriate balance between fixed pay and the opportunity to earn performance-related remuneration with the performance-based elements. An annual review is conducted to ensure application and alignment of the Directors’ Remuneration Policy with the business needs to promote the long-term success of the Company.

How each key element of our remuneration supports the strategic priorities

Fixed Remuneration Base salary Benefits	<ul style="list-style-type: none">– Attract and retain high calibre individuals to deliver the Company’s strategic plans by offering market competitive levels of guaranteed cash to reflect an individual’s skills, experience and role within the Company– Provide market competitive benefits consistent with the role which: (1) help to facilitate the attraction and retention of high calibre individuals to deliver the Company’s strategic plans; and (2) recognise that such talent is global in source and that the availability of certain benefits (e.g. relocation, repatriation, taxation compliance advice) will from time to time be necessary to avoid such factors being an inhibitor to accepting the role.
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<p>Variable Remuneration Short term incentive</p>	<ul style="list-style-type: none"> – incentivise the attainment of corporate targets aligned to the strategic objectives of the Company on an short-term incentives annual basis; – performance-based award in the form of cash and deferred ordinary shares as per the equity settled share based compensation plans offered by British American tobacco p.l.c, so that the latter element ensures alignment with shareholders’ long-term interests; – strong alignment and linkage between individual and corporate annual objectives of the company via the application of an individual performance adjustment factor to the corporate result; and – ensure, overall, a market-competitive package to attract and retain high calibre individuals to deliver the Group’s strategy.
<p>Variable Remuneration Long term incentive</p>	<ul style="list-style-type: none"> – incentivise long-term sustainable growth based on set KPI’s over a three-year period as set out by British American Tobacco p.l.c.; – to facilitate the appointment of high calibre, senior individuals required to deliver the Company’s strategic plans; and – to promote the long-term success of the Company.

The following table sets out in more detail the principles applied for each of the key elements of our remuneration as they apply to Executive Directors of the Company :

<p>Fixed remuneration – Executive Directors</p>	
<p>Base Salary</p>	<ul style="list-style-type: none"> – Base salary is paid in 12 equal monthly instalments during the year. – Salaries are normally reviewed annually in March (with salary changes effective from April) or subject to an ad hoc review on a significant change of responsibilities. – Salaries are reviewed against appropriate market data, including general Malaysia pay trends and a company size and complexity model based on a Pay Comparator Group comprising of global FMCG comparators and where relevant, inclusion of local specific comparators. The Remuneration Committee will continue to exercise its judgement to vary the constituents of the Pay comparator group on an annual basis to ensure its relevance to the needs of the Company. – Salary scales of Executive Directors who are International Assignees are reviewed according to pay review trends in their respective home markets as per the Company’s Global Mobility policy. – Increases in salary will generally be in the range of the increases in the base pay of the home market of the Executive Directors and is clearly linked to performance and progression in the pay range of the applicable role grade. The Malaysian pay ranges and resulting pay matrix applicable to Executive Directors whose home market is Malaysia and the individual pay increases of

	<p>all Executive Directors are approved annually by the Remuneration Committee.</p>				
<p>Benefits</p>	<p>The Company will offer market competitive benefits to its Executive Directors on an individually specific basis in line with their role & grade. Benefits are reviewed as appropriate on an annual basis, based on trends in the approved Pay comparator group –</p> <ul style="list-style-type: none"> – Car or car allowance with use of company driver where it is required for business purposes – Medical cover for self and dependents – Personal life and accident insurance – Flexible Benefit Account (not applicable to International Assignees) – Relocation, Shipment, International tax advise & tax equalization payments for International Assignees as applicable under the British American Tobacco p.l.c. Global Mobility policy 				
<p>Variable remuneration</p>	<p>Performance metrics within the variable incentive schemes are closely aligned to objectives integral to the Company’s strategic objectives in response to a dynamic and rapidly changing external environment.</p> <p><u>Short Term -</u></p> <p>Short term variable remuneration schemes applicable to Executive Directors and Senior Management in Grades 37 & above (equivalent to department heads & above) are structured around the following strategic measures, and paid out annually in a combination of cash and deferred shares (vesting on the third anniversary of the award) based on attainment of annual corporate performance targets –</p> <table border="1" data-bbox="402 1203 1312 1434"> <tr> <td>Volume Share Growth</td> </tr> <tr> <td>Strategic Portfolio Revenue</td> </tr> <tr> <td>Adjusted Profit from Operations</td> </tr> <tr> <td>Operating Cash Flow Conversion Percentage</td> </tr> </table> <p>Long Term -</p> <p>A Long Term Incentive Plan (LTIP) is operated by British American Tobacco p.l.c which applies to the most senior executives of the Group in Grades 38 & above (equivalent to senior department heads & leadership team members). Eligible Executive Directors and Senior Management in BAT Malaysia participate in this incentive plan.</p> <p>LTIP is a discretionary share scheme which aims to reward this group of senior executives for the contribution made to the British American Tobacco p.l.c’s long term Group performance aligned to strategic growth imperatives, provided certain challenging Group performance conditions are met at the Group level.</p>	Volume Share Growth	Strategic Portfolio Revenue	Adjusted Profit from Operations	Operating Cash Flow Conversion Percentage
Volume Share Growth					
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	<p>Example BAT p.l.c performance criteria for the Long Term Incentive Plan :</p> <ul style="list-style-type: none">• Total Shareholder Return relative to a peer group of international FMCG companies• Compounded Annual Growth in adjusted Earnings Per Share• Adjusted Revenue Growth <p>Mechanics of the Award :</p> <p>Eligible participants receive a nil-cost award over shares, which vest on the 3rd anniversary of the date of the award. The amount of shares that vest and can be exercised will depend on the extent to which the performance conditions are met. The maximum award of free shares that can be awarded differs based on the grade of the individual executive ranging from 50% to 100% of annual salary. If the performance conditions are not met, there will be no vesting of the original award.</p>
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The Remuneration Committee of the Board ensures that all remuneration policies set out in this Framework is reviewed on an ongoing basis and individual remuneration decisions related to Executive Directors and Senior Management of the Company are approved as required.

