

# CORPORATE GOVERNANCE REPORT

**STOCK CODE** : 4162  
**COMPANY NAME** : British American Tobacco (Malaysia) Berhad  
**FINANCIAL YEAR** : December 31, 2020

## OUTLINE:

### **SECTION A – DISCLOSURE ON MALAYSIAN CODE ON CORPORATE GOVERNANCE**

*Disclosures in this section are pursuant to Paragraph 15.25 of Bursa Malaysia Listing Requirements.*

### **SECTION B – DISCLOSURES ON CORPORATE GOVERNANCE PRACTICES PURSUANT CORPORATE GOVERNANCE GUIDELINES ISSUED BY BANK NEGARA MALAYSIA**

*Disclosures in this section are pursuant to Appendix 4 (Corporate Governance Disclosures) of the Corporate Governance Guidelines issued by Bank Negara Malaysia. This section is only applicable for financial institutions or any other institutions that are listed on the Exchange that are required to comply with the above Guidelines.*

## SECTION A – DISCLOSURE ON MALAYSIAN CODE ON CORPORATE GOVERNANCE

*Disclosures in this section are pursuant to Paragraph 15.25 of Bursa Malaysia Listing Requirements.*

### Intended Outcome

Every company is headed by a board, which assumes responsibility for the Company's leadership and is collectively responsible for meeting the objectives and goals of the Company.

### Practice 1.1

The board should set the Company's strategic aims, ensure that the necessary resources are in place for the Company to meet its objectives and review management performance. The board should set the Company's values and standards, and ensure that its obligations to its shareholders and other stakeholders are understood and met.

<b>Application</b>	: Applied
<b>Explanation on application of the practice</b>	<p>The Board of Directors ("<b>Board</b>") sets the strategic direction and also oversees and ensures that the conduct of the businesses of British American Tobacco (Malaysia) Berhad and its subsidiaries (the "<b>Group</b>") adhere to relevant applicable laws, policies, standards and guidelines.</p> <p>The roles and responsibilities of the Board are set out in the BAT Malaysia's Code of Corporate Governance ("<b>BAT Malaysia Code</b>") and the Board Committees' roles and responsibilities in discharging its function which had been delegated by the Board are set out in respective Board Committee's Terms of Reference.</p> <p>The Board is also guided by the Statement of Delegated Authorities, which clearly define the matters that are specifically reserved for the Board and Board Committees.</p> <p>The Board meets quarterly to review performances and strategies of the Group. When the need arises, special board meetings will be convened.</p> <p>BAT Malaysia's corporate governance framework is set out in BAT Malaysia Code and is directed towards achieving its business objectives in a manner which is responsible and in accordance with high standards of honesty, transparency and accountability.</p> <p>The Group's sustainability strategies are captured in the Sustainability Pillar which provides a more insightful view into the Group's initiatives to deliver balanced growth in a responsible and sustainable manner.</p> <p>For more information on the Board Leadership and effectiveness, please refer to pages 76 to 88 of the Annual Report 2020.</p>

	The BAT Malaysia Code is available on BAT Malaysia website at <a href="http://www.batmalaysia.com">www.batmalaysia.com</a> .	
<b>Explanation for departure</b>	:	
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>		
<b>Measure</b>	:	
<b>Timeframe</b>	:	

### Intended Outcome

Every Company is headed by a board, which assumes responsibility for the Company's leadership and is collectively responsible for meeting the objectives and goals of the Company.

### Practice 1.2

A Chairman of the board who is responsible for instilling good corporate governance practices, leadership and effectiveness of the board is appointed.

<b>Application</b>	:	Applied
<b>Explanation on application of the practice</b>	:	<p>The role of the Chairman of the Board is set out in the BAT Malaysia Code. The Chairman plays an important leadership role and is responsible for the following:</p> <ul style="list-style-type: none"><li>a. providing leadership to the Board so that the Board can perform its responsibilities efficiently and effectively;</li><li>b. setting the agenda for meetings of the Board and ensuring that Board members receive complete and accurate information in a timely manner;</li><li>c. leading Board and shareholders meetings;</li><li>d. encouraging active participation and allowing dissenting views to be freely expressed;</li><li>e. managing the interface between the Board and the Leadership Team;</li><li>f. ensuring the Board is constituted in accordance with and acts in compliance with relevant statutory requirements;</li><li>g. leading the Board in establishing and monitoring good corporate governance practices in BAT Malaysia; and</li><li>h. establishing and maintaining relationships with the stakeholders of BAT Malaysia including government institutions, shareholders and potential shareholders and major external bodies.</li></ul>
<b>Explanation for departure</b>	:	
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>		
<b>Measure</b>	:	
<b>Timeframe</b>	:	

**Intended Outcome**

Every company is headed by a board, which assumes responsibility for the company's leadership and is collectively responsible for meeting the objectives and goals of the company.

**Practice 1.3**

The positions of Chairman and CEO are held by different individuals.

<b>Application</b>	:	Applied
<b>Explanation on application of the practice</b>	:	<p>The positions of the Chairman and Managing Director are held by two different individuals.</p> <p>The Chairman, Tan Sri Dato' Seri (Dr.) Aseh bin Haji Che Mat is an Independent Non-Executive Director and the Managing Director, Jonathan Darlow Reed is Non-Independent Executive Director.</p> <p>The separate duties of the Chairman and the Managing Director are clearly defined in the Board Charter. The Board delegates the authority and responsibility for managing the operations and developments of the Group in accordance with the objectives and strategies established by the Board to the Managing Director.</p>
<b>Explanation for departure</b>	:	
<p><i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i></p>		
<b>Measure</b>	:	
<b>Timeframe</b>	:	

### Intended Outcome

Every company is headed by a board, which assumes responsibility for the company's leadership and is collectively responsible for meeting the objectives and goals of the company.

### Practice 1.4

The board is supported by a suitably qualified and competent Company Secretary to provide sound governance advice, ensure adherence to rules and procedures, and advocate adoption of corporate governance best practices.

<b>Application</b>	:	Applied
<b>Explanation on application of the practice</b>	:	<p>The Board is supported by a qualified licensed Company Secretary. She also holds a Degree in Law and Masters in Business Administration and is responsible for ensuring that the Board is advised and kept updated on the relevant laws, regulations, listing requirements, policies requirements governing the Group and business. As and when required, the Company Secretary provides advice to the Board on its roles and responsibilities, corporate disclosures and compliance with corporate governance requirements.</p> <p>The roles and responsibilities of the Company Secretary are set out in the BAT Malaysia Code.</p>
<b>Explanation for departure</b>	:	
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>		
<b>Measure</b>	:	
<b>Timeframe</b>	:	

**Intended Outcome**

Every company is headed by a board, which assumes responsibility for the company's leadership and is collectively responsible for meeting the objectives and goals of the company.

**Practice 1.5**

Directors receive meeting materials, which are complete and accurate within a reasonable period prior to the meeting. Upon conclusion of the meeting, the minutes are circulated in a timely manner.

<b>Application</b>	:	Applied	
<b>Explanation on application of the practice</b>	:	Meeting papers, which are complete and accurate, are generally circulated to the Board and Board Committees' members at least five (5) business days prior to the meeting.  Minutes of meetings are circulated and confirmed as correct record by the Board and its Board Committees at the next meeting.	
<b>Explanation for departure</b>	:		
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>			
<b>Measure</b>	:		
<b>Timeframe</b>	:		

**Intended Outcome**

There is demarcation of responsibilities between the board, board committees and management.

There is clarity in the authority of the board, its committees and individual directors.

**Practice 2.1**

The Board has a board charter which is periodically reviewed and published on the company's website. The Board Charter clearly identifies–

- the respective roles and responsibilities of the board, board committees, individual directors and management; and
- issues and decisions reserved for the board.

<b>Application</b>	:	Applied
<b>Explanation on application of the practice</b>	:	<p>The Board Charter is set out in the BATM Code and this is reviewed and revised in line with developments. The last revision of the BATM Code was approved by the Board on 20 February 2020.</p> <p>The roles and responsibilities of the Board, Chairman, Managing Director, Board Committees, Investor Relations and Company Secretary are set out in the BATM Code, whereas the Statement of Delegated Authorities set out matters reserved for the Board.</p> <p>The BATM Code is available on BAT Malaysia website at <a href="http://www.batmalaysia.com">www.batmalaysia.com</a>.</p>
<b>Explanation for departure</b>	:	
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>		
<b>Measure</b>	:	
<b>Timeframe</b>	:	



### Intended Outcome

The Board is committed to promoting good business conduct and maintaining a healthy corporate culture that engenders integrity, transparency and fairness.

The Board, management, employees and other stakeholders are clear on what is considered acceptable behaviour and practice in the company.

### Practice 3.1

The Board establishes a Code of Conduct and Ethics for the Company, and together with management implements its policies and procedures, which include managing conflicts of interest, preventing the abuse of power, corruption, insider trading and money laundering.

The Code of Conduct and Ethics is published on the company's website.

<b>Application</b>	:	Applied
<b>Explanation on application of the practice</b>	:	<p>BAT Malaysia's purpose is to build "A Better Tomorrow". A key driver to deliver "A Better Tomorrow" is BAT Malaysia's evolution of guiding principles in line with ethos behaviour being bold, fast, empowered, responsible and diverse to create a future-fit culture.</p> <p>To ensure that all principles are embedded in its daily business lives and in the employees' behaviour at work, the Company has in place its Standards of Business Conduct ("<b>SOBC</b>") which set out high standards of ethical behaviour, internal policies, guidelines, procedures and code in support of the Company's corporate governance.</p> <p>Amongst areas covered by the SOBC are Whistleblowing, Conflicts of Interest, Anti-Bribery and Corruption, Respect in the Workplace, Human Rights and Our Operations, and Accurate Accounting and Record Keeping.</p> <p>The Standards of Business Conduct, other policies, standards and principles are available on BAT Malaysia website at <a href="http://www.batmalaysia.com">www.batmalaysia.com</a>.</p>
<b>Explanation for departure</b>	:	
<p><i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i></p>		
<b>Measure</b>	:	
<b>Timeframe</b>	:	

## Intended Outcome

The Board is committed to promoting good business conduct and maintaining a healthy corporate culture that engenders integrity, transparency and fairness.

The Board, management, employees and other stakeholders are clear on what is considered acceptable behaviour and practice in the company.

### Practice 3.2

The board establishes, reviews and together with management implements policies and procedures on whistleblowing.

<b>Application</b>	:	Applied
<b>Explanation on application of the practice</b>	:	<p>The Group have in place a whistleblowing policy since 2004 which sets out the procedures which must be followed to enable employees to voice their concerns without fear of retaliation and with confidence that their complaints will be acted upon and their identity kept confidential. This policy is reviewed for enhancements from time to time.</p> <p>A globally managed portal and hotline (managed by third party) is available for employees and external party to lodge a whistleblowing report via online, phone or text messaging.</p> <p>This portal and hotline are available on BAT Malaysia website at <a href="http://www.batmalaysia.com">www.batmalaysia.com</a>.</p>
<b>Explanation for departure</b>	:	
<p><i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i></p>		
<b>Measure</b>	:	
<b>Timeframe</b>	:	

**Intended Outcome**

Board decisions are made objectively in the best interests of the company taking into account diverse perspectives and insights.

**Practice 4.1**

At least half of the board comprises independent directors. For Large Companies, the Board comprises a majority independent directors.

<b>Application</b>	:	Applied	
<b>Explanation on application of the practice</b>	:	As at the 31 December 2020, the Board comprised of four (4) Independent Non-Executive Directors, including the Chairman, one (1) Non-Independent Non-Executive Director and two (2) Non-Independent Executive Directors. Fifty seven percent (57%) of the Board members are Independent Directors.	
<b>Explanation for departure</b>	:		
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>			
<b>Measure</b>	:		
<b>Timeframe</b>	:		

**Intended Outcome**

Board decisions are made objectively in the best interests of the Company taking into account diverse perspectives and insights.

**Practice 4.2**

The tenure of an independent director does not exceed a cumulative term limit of nine years. Upon completion of the nine years, an independent director may continue to serve on the board as a non-independent director.

If the Board intends to retain an independent director beyond nine years, it should justify and seek annual shareholders' approval. If the board continues to retain the independent director after the twelfth year, the board should seek annual shareholders' approval through a two-tier voting process.

<b>Application</b>	:	Not applicable - Step Up 4.3 adopted	
<b>Explanation on application of the practice</b>	:		
<b>Explanation for departure</b>	:		
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>			
<b>Measure</b>	:		
<b>Timeframe</b>	:		

**Intended Outcome**

Board decisions are made objectively in the best interests of the company taking into account diverse perspectives and insights.

**Practice 4.3 - Step Up**

The board has a policy which limits the tenure of its independent directors to nine years.

<b>Application</b>	:	Adopted
<b>Explanation on adoption of the practice</b>	:	The Board adopted and limit the tenure of the Independent Director to nine (9) years.

**Intended Outcome**

Board decisions are made objectively in the best interests of the company taking into account diverse perspectives and insights.

**Practice 4.4**

Appointment of board and senior management are based on objective criteria, merit and with due regard for diversity in skills, experience, age, cultural background and gender.

<b>Application</b>	:	Applied	
<b>Explanation on application of the practice</b>	:	<p>The Board is committed to ensuring that the Directors of BAT Malaysia possess a broad balance of skills, knowledge, experience, background, independence and diversity, including gender diversity.</p> <p>The Nomination and Remuneration Committee (“<b>NRC</b>”) is delegated with the responsibility of assessing and considering suitable candidate(s) for the appointment of Board.</p> <p>In addition, the Board and NRC also oversee the appointment as well as succession planning of the Leadership Team.</p>	
<b>Explanation for departure</b>	:		
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>			
<b>Measure</b>	:		
<b>Timeframe</b>	:		

### Intended Outcome

Board decisions are made objectively in the best interests of the company taking into account diverse perspectives and insights.

### Practice 4.5

The Board discloses in its annual report the company's policies on gender diversity, its targets and measures to meet those targets. For Large Companies, the board must have at least 30% women directors.

<b>Application</b>	:	Applied
<b>Explanation on application of the practice</b>	:	<p>The Group is dedicated to provides equal opportunity to each employee. As provided in our Employment Principles, the Group will not discriminate when making decisions on hiring, promotion or retirement on the ground of employee's race, colour, gender, age and background. The Group's stance on diversity is in the Employment Principles and is also available on BAT Malaysia website at <a href="http://www.batmalaysia.com">www.batmalaysia.com</a>.</p> <p>As at 31 December 2020, two (2) out of the seven (7) or thirty (30%) of the Board members are women.</p>
<b>Explanation for departure</b>	:	
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>		
<b>Measure</b>	:	
<b>Timeframe</b>	:	

### Intended Outcome

Board decisions are made objectively in the best interests of the company taking into account diverse perspectives and insights.

### Practice 4.6

In identifying candidates for appointment of Directors, the Board does not solely rely on recommendations from existing board members, management or major shareholders. The board utilises independent sources to identify suitably qualified candidates.

<b>Application</b>	:	Applied
<b>Explanation on application of the practice</b>	:	<p>The NRC is entrusted with the responsibility of assessing the capabilities, professionalism, integrity, expertise and experience of candidates to be appointed as Board members as well as Board Committee members, taking into account the existing structure, size, gender diversity and composition of the Board to ensure that the Board and Board Committees have appropriate balance of skills, expertise and knowledge for the management of the business.</p> <p>The NRC also takes into consideration the following:</p> <ol style="list-style-type: none"><li>a. whether the individual meets the requirements for independence as defined in the Main Market Listing Requirements of Bursa Malaysia Securities Berhad;</li><li>b. the candidate's general understanding of the Group's business and market;</li><li>c. the candidate's general alignment with BAT Malaysia's strategic direction; and</li><li>d. other factors that promote diversity of views and experience.</li></ol> <p>The NRC uses independent executive search firms and/or via recommendations from existing Board members, Management and major shareholders. The Board will deliberate on the NRC's recommended candidate upon taking into account diverse perspectives and insights.</p>
<b>Explanation for departure</b>	:	
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>		



<b>Measure</b>	:		
<b>Timeframe</b>	:		

**Intended Outcome**

Board decisions are made objectively in the best interests of the Company taking into account diverse perspectives and insights.

**Practice 4.7**

The Nominating Committee is chaired by an Independent Director or the Senior Independent Director.

<b>Application</b>	:	Applied	
<b>Explanation on application of the practice</b>	:	The NRC is chaired by Tan Sri Dato' Seri (Dr.) Aseh bin Haji Che Mat, an Independent Non-Executive Director and Chairman of the Board.	
<b>Explanation for departure</b>	:		
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>			
<b>Measure</b>	:		
<b>Timeframe</b>	:		

### Intended Outcome

Stakeholders are able to form an opinion on the overall effectiveness of the Board and individual directors.

### Practice 5.1

The Board should undertake a formal and objective annual evaluation to determine the effectiveness of the board, its committees and each individual director. The board should disclose how the assessment was carried out and its outcome.

For Large Companies, the board engages independent experts periodically to facilitate objective and candid board evaluations.

<b>Application</b>	:	Applied
<b>Explanation on application of the practice</b>	:	<p>The Board engaged an independent external consultant to facilitate its Board Effectiveness Assessment exercised for the financial year ended 31 December 2019.</p> <p>The Board, with the assistance of the NRC, undertakes annual assessments of Board performance, performance of its Board Committees and performance of each Director. For the financial year ended 31 December 2020, the assessments process was conducted internally through questionnaires and the findings of the assessment were subsequently collected and analysed. The summary of findings was reported to the NRC for deliberation. Thereafter, the recommendations of the NRC were tabled to the Board. The assessment serves as guidance for the NRC as well as a reference point for the Board to assess that a balance, diverse, Board skills across a wide range of areas and expertise is consistently maintained. It also addresses the gaps and training areas for the Board. A comprehensive assessment framework was used for the performance assessment.</p> <p>Based on the assessment, the Board concluded that the Board, its Board Committees and individual have been overall efficient and effective in discharging their oversight responsibilities during the financial year. The findings of the assessment will be used as a basis to enhance the Board's effectiveness.</p>
<b>Explanation for departure</b>	:	
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>		
<b>Measure</b>	:	

<b>Timeframe</b>	:		
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### Intended Outcome

The level and composition of remuneration of Directors and senior management take into account the Company's desire to attract and retain the right talent in the board and senior management to drive the company's long-term objectives.

Remuneration policies and decisions are made through a transparent and independent process.

### Practice 6.1

The Board has in place policies and procedures to determine the remuneration of directors and senior management, which takes into account the demands, complexities and performance of the company as well as skills and experience required. The policies and procedures are periodically reviewed and made available on the company's website.

<b>Application</b>	:	Applied
<b>Explanation on application of the practice</b>	:	<p>BAT Malaysia's remuneration policy for Directors is tailored to provide a remuneration package which serves to attract, retain and motivate directors of the calibre needed to manage the business of the Group.</p> <p>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.</p> <p>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 as well as regional and global corporate performance.</p> <p>The Board has in place a Remuneration Framework for Directors and Senior Management. Details of this framework available on BAT Malaysia website at <a href="http://www.batmalaysia.com">www.batmalaysia.com</a>.</p>
<b>Explanation for departure</b>	:	
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>		

<b>Measure</b>	:		
<b>Timeframe</b>	:		

### Intended Outcome

The level and composition of remuneration of Directors and senior management take into account the Company's desire to attract and retain the right talent in the Board and senior management to drive the Company's long-term objectives.

Remuneration policies and decisions are made through a transparent and independent process.

### Practice 6.2

The Board has a Remuneration Committee to implement its policies and procedures on remuneration including reviewing and recommending matters relating to the remuneration of board and senior management.

The Committee has written Terms of Reference which deals with its authority and duties and these Terms are disclosed on the company's website.

<b>Application</b>	:	Applied
<b>Explanation on application of the practice</b>	:	The NRC is authorised by the Board to implement policies and procedures on remuneration including reviewing and recommending matters relating to the remuneration of Board and Leadership Team.  The Terms of Reference of NRC is available on BAT Malaysia website at <a href="http://www.batmalaysia.com">www.batmalaysia.com</a> .
<b>Explanation for departure</b>	:	
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>		
<b>Measure</b>	:	
<b>Timeframe</b>	:	

**Intended Outcome**

Stakeholders are able to assess whether the remuneration of Directors and senior management is commensurate with their individual performance, taking into consideration the company's performance.

**Practice 7.1**

There is detailed disclosure on named basis for the remuneration of individual Directors. The remuneration breakdown of individual Directors includes fees, salary, bonus, benefits in-kind and other emoluments.

<b>Application</b>	:	Applied	
<b>Explanation on application of the practice</b>	:	Each Director's detailed remuneration is disclosed in page 88 of the Annual Report 2020.	
<b>Explanation for departure</b>	:		
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>			
<b>Measure</b>	:		
<b>Timeframe</b>	:		



### Intended Outcome

Stakeholders are able to assess whether the remuneration of directors and senior management is commensurate with their individual performance, taking into consideration the company's performance.

### Practice 7.2

The Board discloses on a named basis the top five senior management's remuneration component including salary, bonus, benefits in-kind and other emoluments in bands of RM50,000.

<b>Application</b>	:	Applied	
<b>Explanation on application of the practice</b>	:	The remuneration of the Leadership Team for the financial year ended 31 December 2020 are disclosed on a named basis in the Corporate Governance Overview Statement in page 88 of the Annual Report 2020.	
<b>Explanation for departure</b>	:		
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>			
<b>Measure</b>	:	Please explain the measure(s) the company has taken or intend to take to adopt the practice.	
<b>Timeframe</b>	:	Others	Please specify number of years.

**Intended Outcome**

Stakeholders are able to assess whether the remuneration of directors and senior management is commensurate with their individual performance, taking into consideration the company's performance.

**Practice 7.3 - Step Up**

Companies are encouraged to fully disclose the detailed remuneration of each member of senior management on a named basis.

<b>Application</b>	:	Not Adopted
<b>Explanation on adoption of the practice</b>	:	

**Intended Outcome**

There is an effective and independent Audit Committee.

The Board is able to objectively review the Audit Committee's findings and recommendations.  
The Company's financial statement is a reliable source of information.

**Practice 8.1**

The Chairman of the Audit Committee is not the Chairman of the Board.

<b>Application</b>	:	Applied	
<b>Explanation on application of the practice</b>	:	The Chairman of the Audit Committee is Eric Ooi Lip Aun, who is an Independent Non-Executive Director and not the Chairman of the Board.	
<b>Explanation for departure</b>	:		
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>			
<b>Measure</b>	:		
<b>Timeframe</b>	:		

**Intended Outcome**

There is an effective and independent Audit Committee.

The Board is able to objectively review the Audit Committee's findings and recommendations. The Company's financial statement is a reliable source of information.

**Practice 8.2**

The Audit Committee has a policy that requires a former key audit partner to observe a cooling-off period of at least two years before being appointed as a member of the Audit Committee.

<b>Application</b>	:	Applied	
<b>Explanation on application of the practice</b>	:	None of the existing Audit Committee ("AC") members of BAT Malaysia was a former key audit partner.  The Terms of Reference of the AC requires a former key audit partner to observe a cooling off period of at least two years before being appointed as a member of the AC. The Terms of Reference of the AC is available on BAT Malaysia website at <a href="http://www.batmalaysia.com">www.batmalaysia.com</a>	
<b>Explanation for departure</b>	:		
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>			
<b>Measure</b>	:		
<b>Timeframe</b>	:		

**Intended Outcome**

There is an effective and independent Audit Committee.

The Board is able to objectively review the Audit Committee's findings and recommendations.  
The company's financial statement is a reliable source of information.

**Practice 8.3**

The Audit Committee has policies and procedures to assess the suitability, objectivity and independence of the external auditor.

<b>Application</b>	:	Applied	
<b>Explanation on application of the practice</b>	:	<p>Procedure is in place for the AC to conduct annual assessment of external auditor to assess their suitability, objectivity and independence.</p> <p>The Audit Committee has obtained written assurance from the external auditors confirming that they are, and have been, independent throughout the conduct of the audit engagement in accordance with the terms of all relevant professional and regulatory requirements.</p>	
<b>Explanation for departure</b>	:		
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>			
<b>Measure</b>	:		
<b>Timeframe</b>	:		

**Intended Outcome**

There is an effective and independent Audit Committee.

The Board is able to objectively review the Audit Committee's findings and recommendations.  
The Company's financial statement is a reliable source of information.

**Practice 8.4 - Step Up**

The Audit Committee should comprise solely of Independent Directors.

<b>Application</b>	:	Adopted
<b>Explanation on adoption of the practice</b>	:	The AC comprise solely of Independent Directors.

### Intended Outcome

There is an effective and independent Audit Committee.

The Board is able to objectively review the Audit Committee's findings and recommendations. The Company's financial statement is a reliable source of information.

### Practice 8.5

Collectively, the Audit Committee should possess a wide range of necessary skills to discharge its duties. All members should be financially literate and are able to understand matters under the purview of the Audit Committee including the financial reporting process.

All members of the Audit Committee should undertake continuous professional development to keep themselves abreast of relevant developments in accounting and auditing standards, practices and rules.

<b>Application</b>	:	Applied
<b>Explanation on application of the practice</b>	:	The members of the AC have the necessary skills to discharge its duties and are financially literate. The profiles of the members are provided in the Annual Report. The Chairman of the Audit Committee is a Chartered Accountant.  BAT Malaysia is committed to ensure that its Audit Committee members keep themselves abreast of relevant developments in accounting and auditing standards, practices and rules.
<b>Explanation for departure</b>	:	
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>		
<b>Measure</b>	:	
<b>Timeframe</b>	:	

**Intended Outcome**

Companies make informed decisions about the level of risk they want to take and implement necessary controls to pursue their objectives.

The Board is provided with reasonable assurance that adverse impact arising from a foreseeable future event or situation on the company’s objectives is mitigated and managed.

**Practice 9.1**

The Board should establish an effective risk management and internal control framework.

<b>Application</b>	:	Applied	
<b>Explanation on application of the practice</b>	:	<p>The Board has established a robust risk management and internal control framework 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.</p> <p>Please refer to the Statement on Risk Management and Internal Control as disclosed in pages 107 to 116 of the Annual Report 2020.</p>	
<b>Explanation for departure</b>	:		
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>			
<b>Measure</b>	:		
<b>Timeframe</b>	:		



**Intended Outcome**

Companies make informed decisions about the level of risk they want to take and implement necessary controls to pursue their objectives.

The Board is provided with reasonable assurance that adverse impact arising from a foreseeable future event or situation on the company’s objectives is mitigated and managed.

**Practice 9.2**

The Board should disclose the features of its risk management and internal control framework, and the adequacy and effectiveness of this framework.

<b>Application</b>	:	Applied	
<b>Explanation on application of the practice</b>	:	Details of the features of risk management and internal control framework and the adequacy and effectiveness of the framework are disclosed in pages 107 to 116 of the Annual Report 2020.	
<b>Explanation for departure</b>	:		
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>			
<b>Measure</b>	:		
<b>Timeframe</b>	:		

**Intended Outcome**

Companies make informed decisions about the level of risk they want to take and implement necessary controls to pursue their objectives.

The Board is provided with reasonable assurance that adverse impact arising from a foreseeable future event or situation on the company's objectives is mitigated and managed.

**Practice 9.3 - Step Up**

The Board establishes a Risk Management Committee, which comprises a majority of independent directors, to oversee the company's risk management framework and policies.

<b>Application</b>	:	Adopted
<b>Explanation on adoption of the practice</b>	:	The Risk Management Committee ("RMC") was instituted in 2018. The RMC assists the Board to review the risk management framework adopted within the Group and monitors the effectiveness of risk mitigation action plans to minimise losses and maximise opportunities.

**Intended Outcome**

Companies have an effective governance, risk management and internal control framework and stakeholders are able to assess the effectiveness of such a framework.

**Practice 10.1**

The Audit Committee should ensure that the internal audit function is effective and able to function independently.

<b>Application</b>	:	Applied	
<b>Explanation on application of the practice</b>	:	<p>The function of Internal Audit for the Group is fulfilled through the Global Audit Function of British American Tobacco p.l.c. (BAT p.l.c Group Internal Audit). The BAT p.l.c Group Internal Audit has direct access to both the AC and the Chairman of the AC and reports to the AC on all matters of control and audit.</p> <p>The AC approves the scope of work for the year and reviews the plan on a quarterly basis.</p> <p>The AC reviews the adequacy of the BAT p.l.c Group Internal Audit's resources and evaluates the performance of the Internal Auditors.</p> <p>Internal Audit Report is tabled to the AC on a quarterly basis.</p>	
<b>Explanation for departure</b>	:		
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>			
<b>Measure</b>	:		
<b>Timeframe</b>	:		

## Intended Outcome

Companies have an effective governance, risk management and internal control framework and stakeholders are able to assess the effectiveness of such a framework.

## Practice 10.2

The Board should disclose–

- whether internal audit personnel are free from any relationships or conflicts of interest, which could impair their objectivity and independence;
- the number of resources in the internal audit department;
- name and qualification of the person responsible for internal audit; and
- whether the internal audit function is carried out in accordance with a recognised framework.

<b>Application</b>	:	Applied
<b>Explanation on application of the practice</b>	:	<p>The function of Internal Audit for the Group is fulfilled through the Global Audit function of British American Tobacco p.l.c. Group Internal Audit. This approach ensures a high level of independence and gives access to more skilled and specialised resources than would otherwise be available within the Group.</p> <p>British American Tobacco p.l.c. Group Internal Audit is staffed by over fifty (50) personnel with relevant professional qualifications. They comply with British American Tobacco p.l.c. Group's Standards of Business Conduct and provide independent assurance.</p> <p>As a permanent invitee of the AC, British American Tobacco p.l.c. Group Internal Audit has direct access to both the AC and the AC Chairman, and reports all matters related to controls and audit findings. British American Tobacco p.l.c. Group Internal Audit assists the AC in reviewing the effectiveness of the Group's internal controls and processes, whilst ensuring that there is an appropriate balance of risk and control in achieving its business objectives.</p> <p>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.</p> <p>The development of the annual audit plan continues to be risk-based taking into consideration the evolving nature of the Group.</p>
<b>Explanation for departure</b>	:	

*Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.*

<b>Measure</b>	:		
<b>Timeframe</b>	:		

### Intended Outcome

There is continuous communication between the Company and stakeholders to facilitate mutual understanding of each other's objectives and expectations.

Stakeholders are able to make informed decisions with respect to the business of the Company, its policies on governance, the environment and social responsibility.

### Practice 11.1

The Board ensures there is effective, transparent and regular communication with its stakeholders.

<b>Application</b>	:	Applied
<b>Explanation on application of the practice</b>	:	<p>Communication and engagement with stakeholders are made through various platforms and media, including general meeting, investors' teleconferences and analyst briefings.</p> <p>BAT Malaysia has a dedicated Corporate Finance team which meets key institutional investors and analysts on a regular basis, as well as answers queries from shareholders.</p> <p>Stakeholders are encouraged to direct their inquiries via email to <a href="mailto:chan_choon_ngai@bat.com">chan_choon_ngai@bat.com</a> or shareholder relation matters while <a href="mailto:Fdoffice_malaysia@bat.com">Fdoffice_malaysia@bat.com</a> for investor relation matters.</p> <p>Please refer to pages 77 to 78 and 91 to 92 of the Annual Report 2020.</p>
<b>Explanation for departure</b>	:	
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>		
<b>Measure</b>	:	
<b>Timeframe</b>	:	

**Intended Outcome**

There is continuous communication between the company and stakeholders to facilitate mutual understanding of each other’s objectives and expectations.

Stakeholders are able to make informed decisions with respect to the business of the company, its policies on governance, the environment and social responsibility.

**Practice 11.2**

Large companies are encouraged to adopt integrated reporting based on a globally recognised framework.

<b>Application</b>	:	Applied	
<b>Explanation on application of the practice</b>	:	BAT Malaysia’s Annual Report consists of information such as Annual Financial Statements, Corporate Governance Overview, Sustainability Statements and such other disclosures as provided in BAT Malaysia’s Annual Report 2020. BAT Malaysia incorporates the more comprehensive Global Reporting Initiative (GRI) G4 Indicators into its Annual Report 2020.	
<b>Explanation for departure</b>	:		
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>			
<b>Measure</b>	:		
<b>Timeframe</b>	:		

### Intended Outcome

Shareholders are able to participate, engage the Board and senior management effectively and make informed voting decisions at General Meetings.

### Practice 12.1

Notice for an Annual General Meeting should be given to the shareholders at least 28 days prior to the meeting.

<b>Application</b>	:	Applied
<b>Explanation on application of the practice</b>	:	<p>The Notice of the 59<sup>th</sup> AGM dated 23 March 2020 was announced to Bursa Malaysia Securities Berhad, published in BAT Malaysia's website and advertised in the newspapers. However, in the light of the implementation of the Movement Control Order ("MCO") nationwide to curb the spread of the COVID-19 infection in Malaysia, BAT Malaysia had announced on 31 March 2020 that the 59<sup>th</sup> AGM was deferred to a later date. Thereafter, the Board adjourned the 59<sup>th</sup> AGM to 15 June 2020. The Notice of the Adjourned 59<sup>th</sup> AGM dated 15 May 2020 ("Notice") was announced to Bursa Malaysia Securities Berhad, published in BAT Malaysia's website, advertised in the newspapers and circulated to all members on 15 May 2020. The Notice was given to the shareholders 28 days prior to the 59<sup>th</sup> AGM.</p> <p>BAT Malaysia also distributed an Administrative Details together with the Notice, which provides information to the shareholders regarding the AGM details, and their entitlement as shareholder.</p>
<b>Explanation for departure</b>	:	
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>		
<b>Measure</b>	:	
<b>Timeframe</b>	:	



### Intended Outcome

Shareholders are able to participate, engage the Board and senior management effectively and make informed voting decisions at General Meetings.

### Practice 12.2

All directors attend General Meetings. The Chair of the Audit, Nominating, Risk Management and other committees provide meaningful response to questions addressed to them.

<b>Application</b>	:	Applied
<b>Explanation on application of the practice</b>	:	
<b>Explanation for departure</b>	:	<p>All Directors including the Chairman of the Board and the Chairman of its Board Committees attended and participated in the first fully virtual 59<sup>th</sup> AGM held on 15 June 2020.</p> <p>The 59<sup>th</sup> AGM was held with strict adherence to the Securities Commission Malaysia Guidance and Ministry of Health guidelines. The attendance of the 59<sup>th</sup> AGM was restricted to the Board, a representative of the Leadership Team, a lawyer and a KPMG representative.</p> <p>The shareholders, a corporate representative from the Minority Shareholders Watch Group and proxies attended the 59<sup>th</sup> AGM using Remote Participation and Voting (“<b>RPV</b>”) facilities. The Chairman of the Board chaired the 59<sup>th</sup> AGM in an orderly manner and allowed the shareholders the opportunity to participate remotely and submit questions using RPV facilities in the deliberations of the resolutions being proposed or on the Group’s operations in general. The Chairman and the Board answered questions posed, where possible and BAT Malaysia provided email responses to questions that were not addressed within five (5) working days after the 59<sup>th</sup> AGM.</p>
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>		
<b>Measure</b>	:	
<b>Timeframe</b>	:	

### Intended Outcome

Shareholders are able to participate, engage the Board and senior management effectively and make informed voting decisions at General Meetings.

### Practice 12.3

Listed companies with a large number of shareholders or which have meetings in remote locations should leverage technology to facilitate–

- including voting in absentia; and
- remote shareholders' participation at General Meetings.

<b>Application</b>	:	Applied
<b>Explanation on application of the practice</b>	:	<p>The first fully virtual 59<sup>th</sup> AGM was conducted on 15 June 2020. All members of the Board were present to respond to the questions raised by the shareholders or proxies. The Chairman of the Board chaired the 59<sup>th</sup> AGM in an orderly manner and allowed the shareholders the opportunity to participate remotely and submit questions using Remote Participation and Voting (“<b>RPV</b>”) facilities. It's demonstrates BAT Malaysia's commitment to shareholders, while taking every precaution to safeguard shareholders' safety and wellbeing.</p> <p>BAT Malaysia's AGM serves as a forum for the shareholders to view the Group's performance and highlights for the year, industry overview, business transformation updates and financial highlights. During the 59<sup>th</sup> AGM, the shareholders used the RPV facilities to pose questions in the deliberations of the resolutions being proposed or on the Group's operations in general. The Chairman and the Board answered questions posed, where possible and BAT Malaysia provided email responses to questions that were not addressed within five (5) working days from the date of the 59<sup>th</sup> AGM.</p> <p>Additionally, detailed answers on questions raised by the Minority Shareholders Watch Group (“<b>MSWG</b>”) were shared with all shareholders during the 59<sup>th</sup> AGM.</p> <p>At the 59<sup>th</sup> AGM, all the resolutions set out in the Notice were voted remotely using the RPV facilities. Tricor Investor &amp; Issuing House of Services Sdn. Bhd. and Coopers Professional Scrutineers Sdn. Bhd. were appointed as the remote online voting administrator and independent scrutineers, respectively at the 59<sup>th</sup> AGM.</p>
<b>Explanation for departure</b>	:	

*Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.*

<b>Measure</b> :		
<b>Timeframe</b> :		

**SECTION B – DISCLOSURES ON CORPORATE GOVERNANCE PRACTICES PURSUANT  
CORPORATE GOVERNANCE GUIDELINES ISSUED BY BANK NEGARA MALAYSIA**

*Disclosures in this section are pursuant to Appendix 4 (Corporate Governance Disclosures) of the Corporate Governance Guidelines issued by Bank Negara Malaysia. This section is only applicable for financial institutions or any other institutions that are listed on the Exchange that are required to comply with the above Guidelines.*

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