



Sustainability

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SUSTAINABILITY

STATEMENT

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



Sustainability Governance

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

Sustainability Framework

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

SUSTAINABILITY STATEMENT

Engagement with Stakeholders

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

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

These are:

Stakeholders	Engagement Platforms	Issues	How We Addressed
Regulators	<ul style="list-style-type: none"> Public consultations Regular meetings 	<ul style="list-style-type: none"> Tobacco black market New Category products Tobacco control regulations 	<ul style="list-style-type: none"> Two-way dialogue and information sharing related to the tobacco black market and its impact to government, society and industry Two-way dialogue and information sharing related to New Category products Two-way industry led dialogue on tobacco control regulations
Consumers	<ul style="list-style-type: none"> Customer service channels Corporate email Corporate website Company press releases 	<ul style="list-style-type: none"> Product information Tobacco black market New Category products 	<ul style="list-style-type: none"> Full time call centre that attends to consumer queries and provide necessary information to keep consumers updated Public awareness initiatives to educate the public on the tobacco black market and New Category products
Employees	<ul style="list-style-type: none"> Your Voice Engagement Survey Multiple internal engagement channels (monthly townhall sessions, annual corporate sessions) Leadership forums with extended and middle management Inter-departmental corporate “Away Days” 	<ul style="list-style-type: none"> Career planning and development Fair and transparent rewards Active engagement process across the organisation by Management team 	<ul style="list-style-type: none"> Results from bi-yearly employment engagement survey incorporated into talent strategy Various platforms to engage all employees

SUSTAINABILITY STATEMENT

Stakeholders	Engagement Platforms	Issues	How We Addressed
Investors and Analysts	<ul style="list-style-type: none"> • Annual General Meeting • Annual Report • Quarterly analyst briefings • Corporate website • Company press releases 	<ul style="list-style-type: none"> • Corporate strategy and financial performance • Corporate governance and compliance • Tobacco black market • New Category products 	<ul style="list-style-type: none"> • Key briefings conducted to analysts and investors on business performance, business strategy and business issues through the year • Regular engagements with analysts
Media	<ul style="list-style-type: none"> • Press conferences • Media interviews and events • Formal and informal briefings 	<ul style="list-style-type: none"> • Corporate strategy • Financial performance • Products and services • Tobacco black market • New Category products 	<ul style="list-style-type: none"> • Regular media engagements conducted to provide updates on business performance and strategy, products and services, and address issues of consumers' concerns
Business Partners, Community & NGOs	<ul style="list-style-type: none"> • Engage and support business partners, corporates and NGOs in addressing issues in the community 	<ul style="list-style-type: none"> • Ensuring our business partners are updated and comply with latest regulations and standards • Empowering underprivileged and economically vulnerable communities • Providing fair participation in the digital world whilst reducing e-wastes • Enabling fair access to education opportunities • Environmental, Health and Safety (EHS) best practices 	<ul style="list-style-type: none"> • We conducted briefings, information sharing as well as trainings with business partners to ensure compliance with regulations and standards • BAT Malaysia continued its partnership with the MyKasih Foundation under their Food Aid Programme which aims to alleviate the burden of the B40 communities • BAT Malaysia donated more than 986 digital assets to SOLS TECH for distribution to underprivileged communities. • Partnered with SOLS TECH's zero-waste programme to recycle more than 5,500 kg of e-wastes • BAT Malaysia contributed RM100,000 to assist underprivileged students pursuing tertiary studies through a partnership with Great Vision Association.

MATERIAL MATTERS

MATERIAL MATTERS

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



MARKET PLACE

Tobacco Black Market
Illegal Vapour Products
Regulatory Developments



ENVIRONMENT



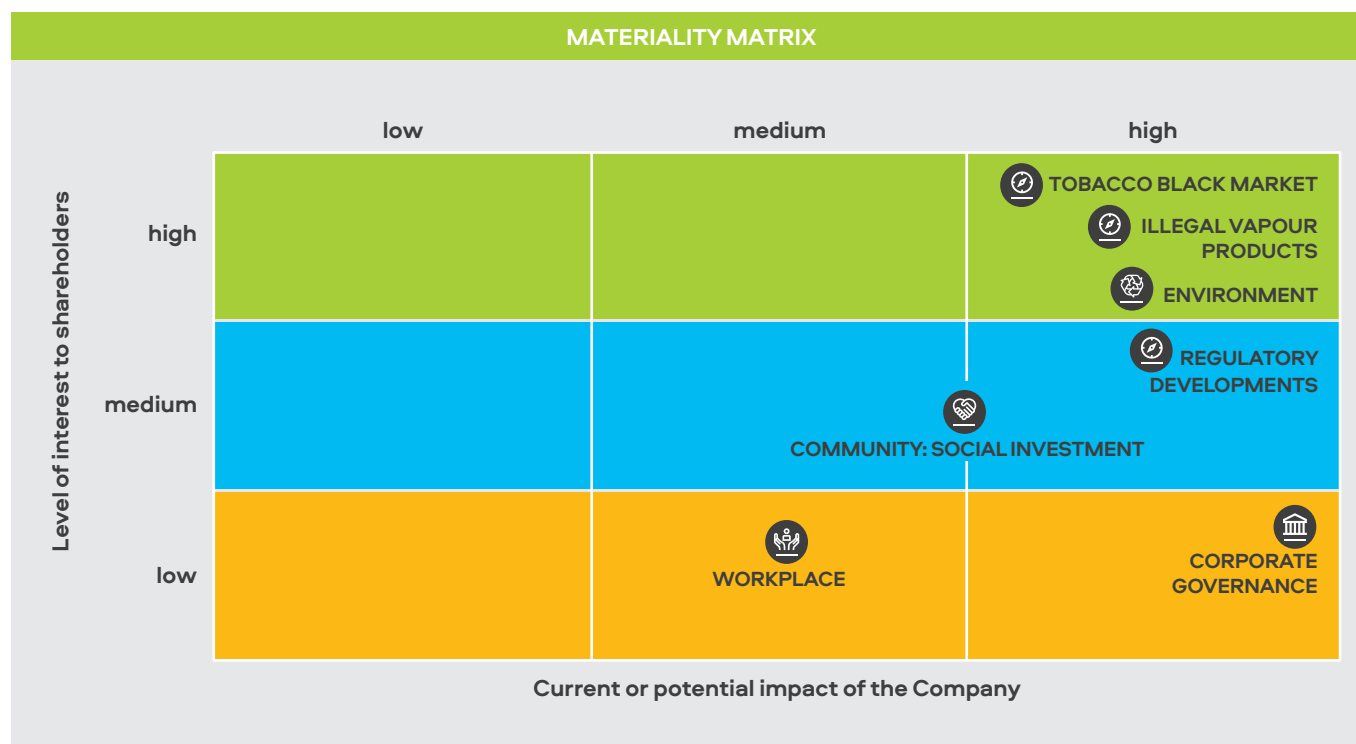
WORKPLACE



COMMUNITY: SOCIAL INVESTMENT



CORPORATE GOVERNANCE



Disclosure Scope and Boundary

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

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

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



Tobacco Black Market

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

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

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

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

Key results from the polls include:

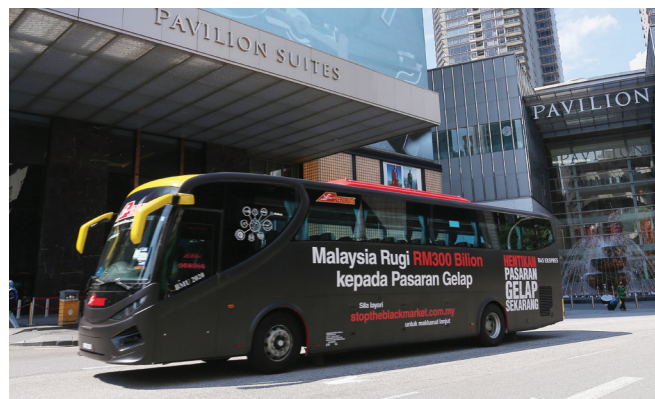
- 67% believe the black market, of which illegal tobacco is a significant component, is at a crisis levels, severely impacting Malaysia's economy;
- 97% want the government to take immediate action against the tobacco black market, which contributes to more than RM5 billion losses in uncollected taxes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



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



MARKETPLACE



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

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

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

Illegal Vapour Products

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

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

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

Regulatory Developments

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

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

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

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



ENVIRONMENT

Environmental policies

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

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

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

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

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

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

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

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

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

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



Eliminating unnecessary Single Use Plastics (SUP) in our offices

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





WORKPLACE

Health and Safety

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

COVID-19 response



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

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

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

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

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

Zero accidents at the workplace

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

Near miss reporting

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

Contractors EHS enforcement and reinforcement programme



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

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

Defensive driving course

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

WORKPLACE

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

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

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

Telematics monitoring of fleet vehicles



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

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

Health & safety training for new employees

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

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

First aid training

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

Safety day



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

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

Employee value proposition

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



COMMUNITY: SOCIAL INVESTMENT

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

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

Supporting families in need

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

Empowering Students

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

Bridging the Technology Divide

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



Supported
400 families
during the COVID-19 pandemic



Donated
986 digital assets
to the underprivileged
communities



Recycled
>5,500 kg
e-wastes



CORPORATE GOVERNANCE

CORPORATE GOVERNANCE

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

Delivery with integrity



Delivery *with* Integrity

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

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

Speak up channels

Speak Up



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

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

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

Responsible marketing

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

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

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

Regulatory engagement

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

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

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