

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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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 nicotine vapour products

Raising industry standards for nicotine vapour products within a regulated marketplace

Harnessing world-leading research

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


Our Path to Net Zero by 2050


Our Climate Goals


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

 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



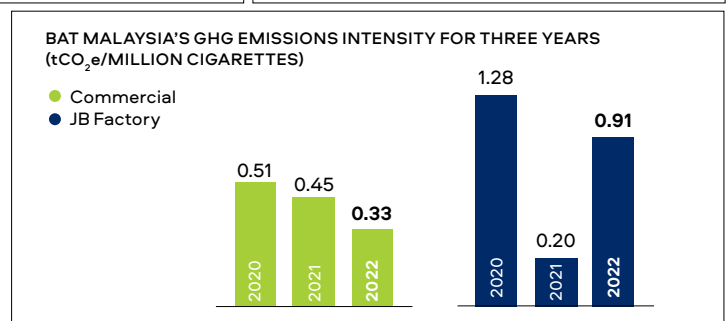
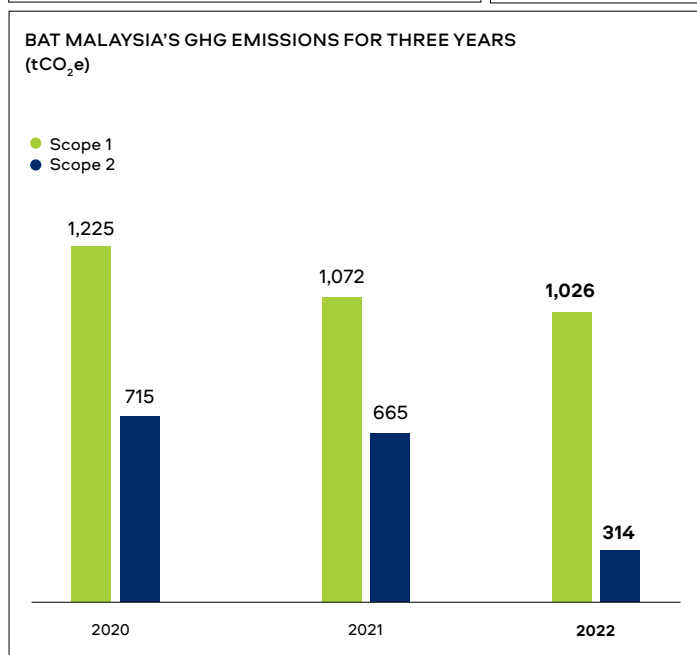
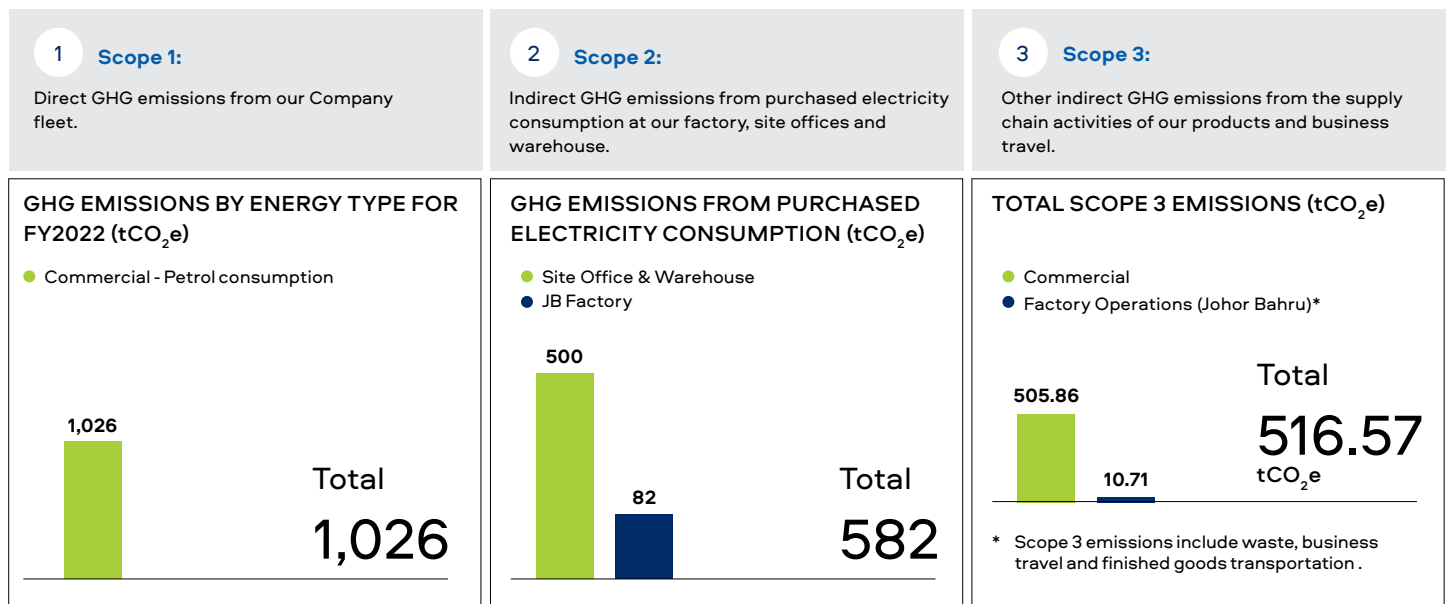
* Compared to 2020 baseline. Comprises 50% reduction in Scopes 1 & 2 and 50% reduction in Scope 3 GHG emissions. Scope 3 emission target includes purchased goods and services, upstream transportation and distribution, use of sold products and end-of-life treatment of sold products, which collectively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



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

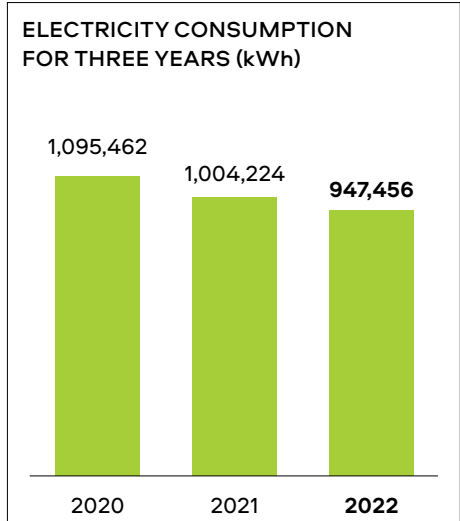
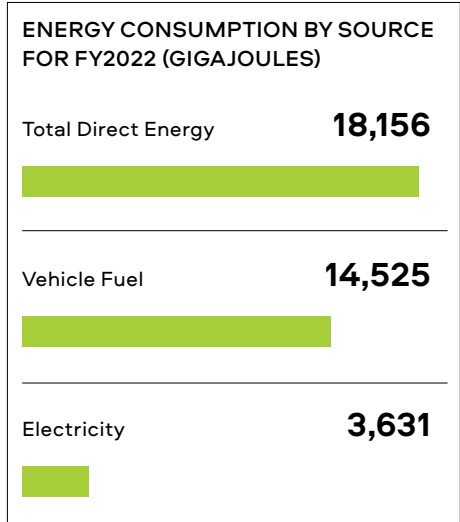
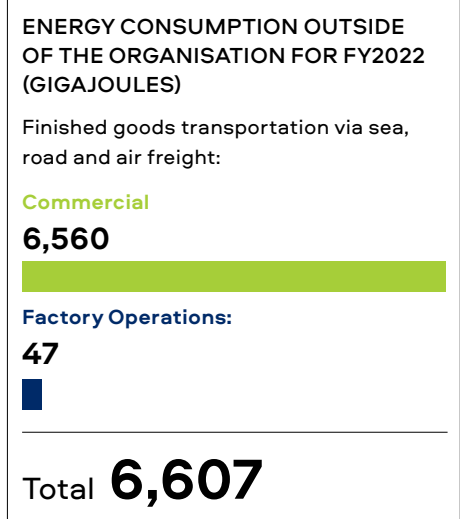
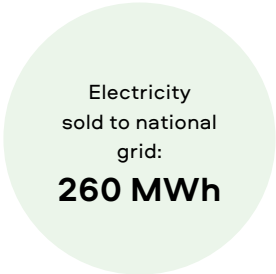
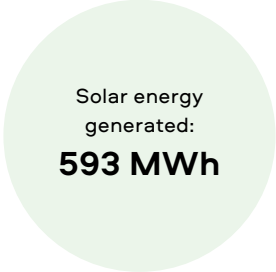


ENERGY

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 organisation, 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.



Environmental

WATER

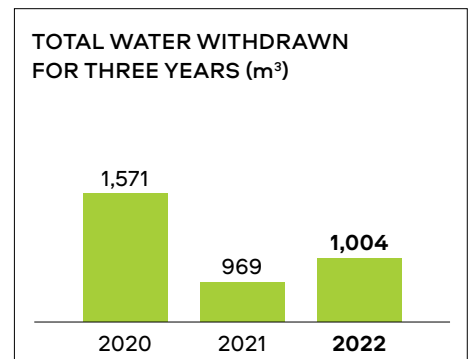
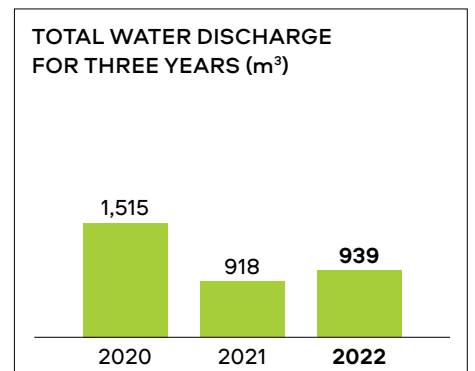
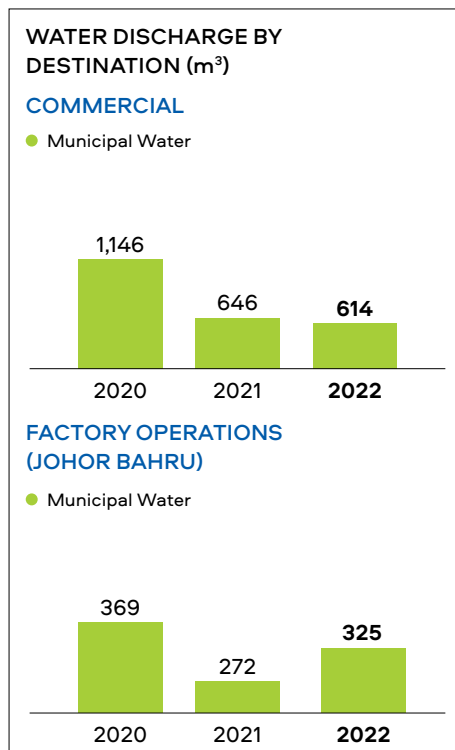
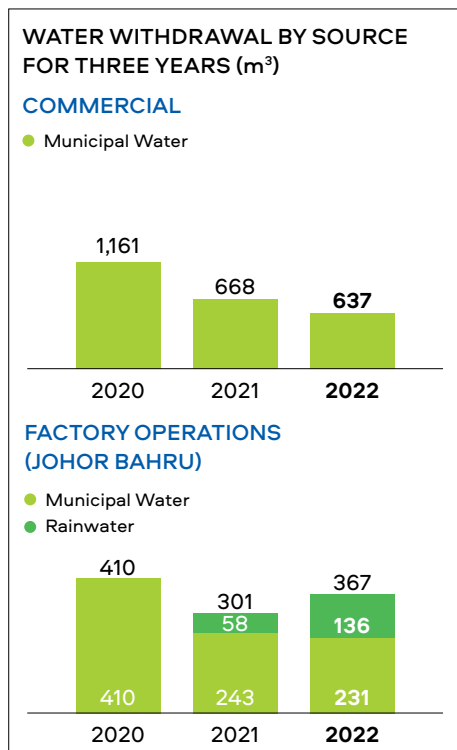


Our operations mostly consume water supplied by local municipality, except for our factory in Johor Bahru, which was installed with rainwater harvesting system. Our water conservation initiatives include increasing consumption of reusable water such as rainwater and reducing water wastage by identifying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



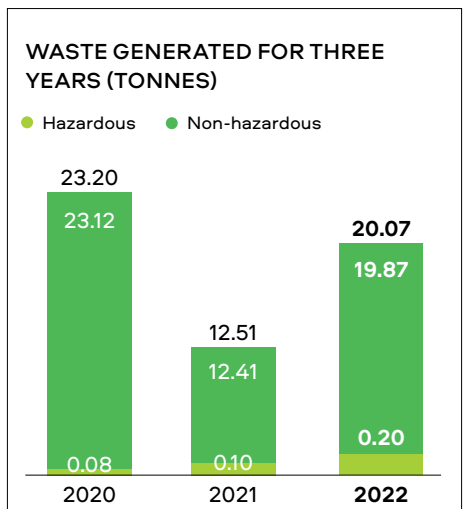
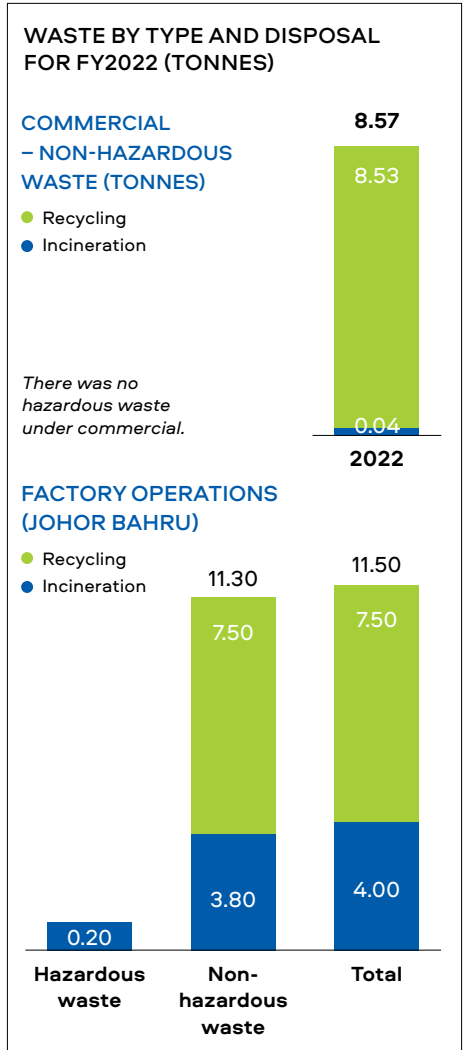
Environmental

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.



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.

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.

TCFD 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.

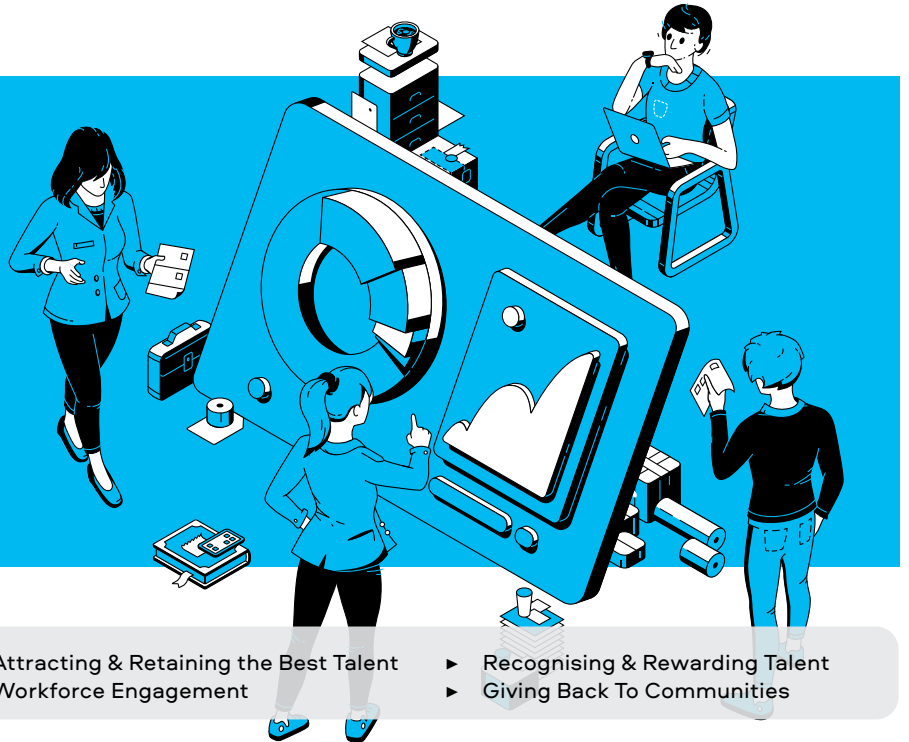


For more information on BAT p.l.c.'s TCFD report, please refer to the TCFD Reporting section from pages 70 to 81 of BAT p.l.c.'s Annual Report and Form 20-F 2022.

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 is shaped to preserve the sustainability factor of 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

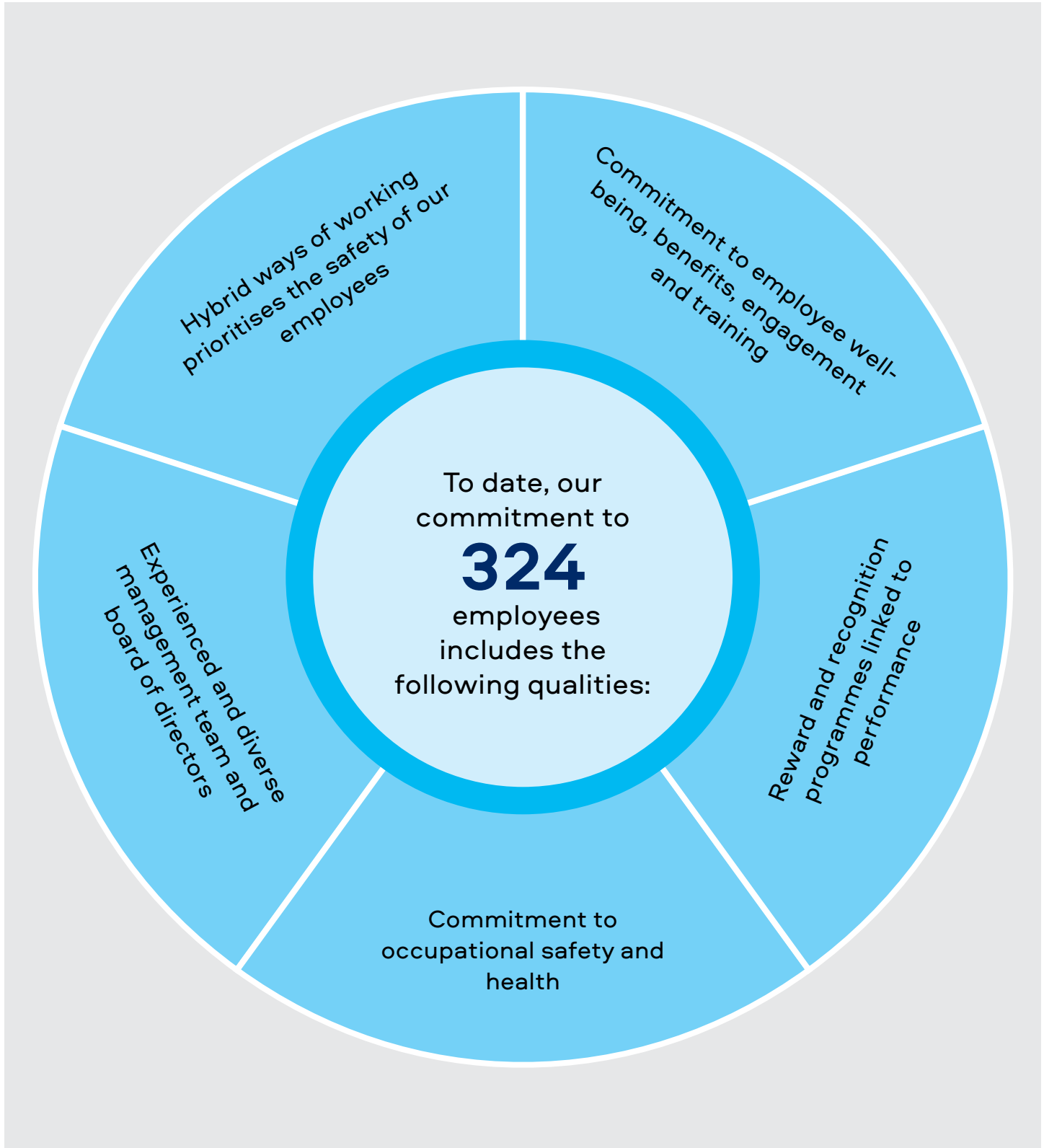
We are DIVERSE

- 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

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
"CM1 has opened my eyes to the limitless 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 sprints are specifically tailored to you, presented in an easy to digest manner and you get to decide when to start the sprints 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 completed the Digital Marketing Essentials and Customer Insights Sprints. 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 sprints, and very excited about the opportunities to apply these new skills as we continue on our journey to becoming a multi-category company!"

Jahanzeb Talat
Digital Analytics Executive
"As the nature of work continues to change rapidly, CM1 helps us to upskill, reskill and revolutionize the traditional ways of working. It can enable us to understand past, 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.

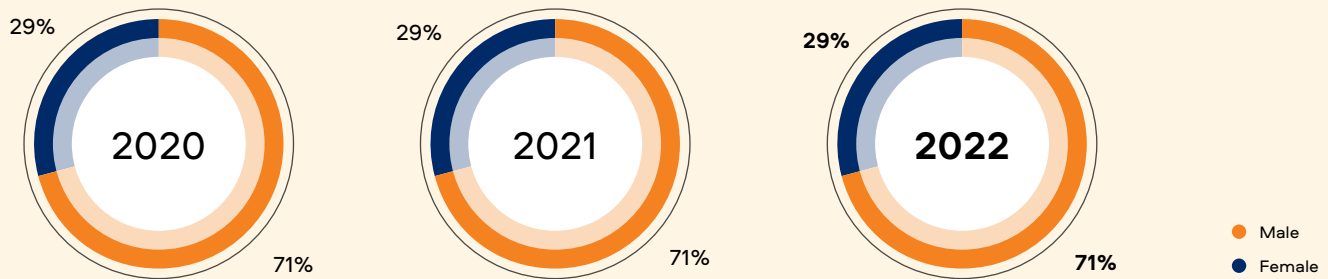


For more information on the Group’s Standards of Business Conduct and Group Whistleblowing Procedure, please refer to the Corporate Governance Overview Statement on page 94.

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 (%)

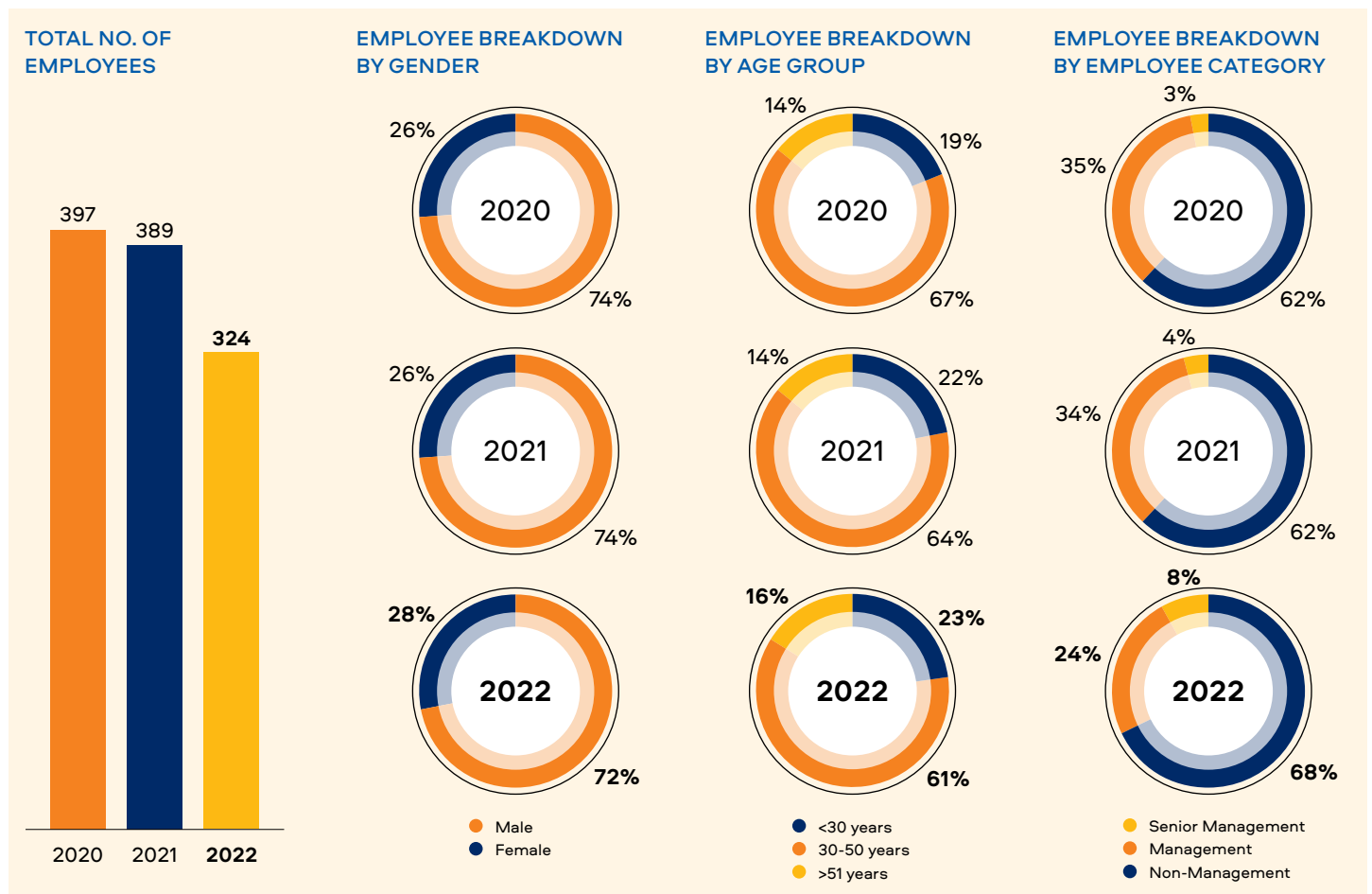


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BAT Malaysia's Workforce

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.



In addition to permanent employees, we also offer employment to temporary workers. The disclosure of our employees by employment type are as follows:

EMPLOYEES BY EMPLOYMENT CONTRACT BY GENDER



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Initiatives to Drive Diversity and Inclusion

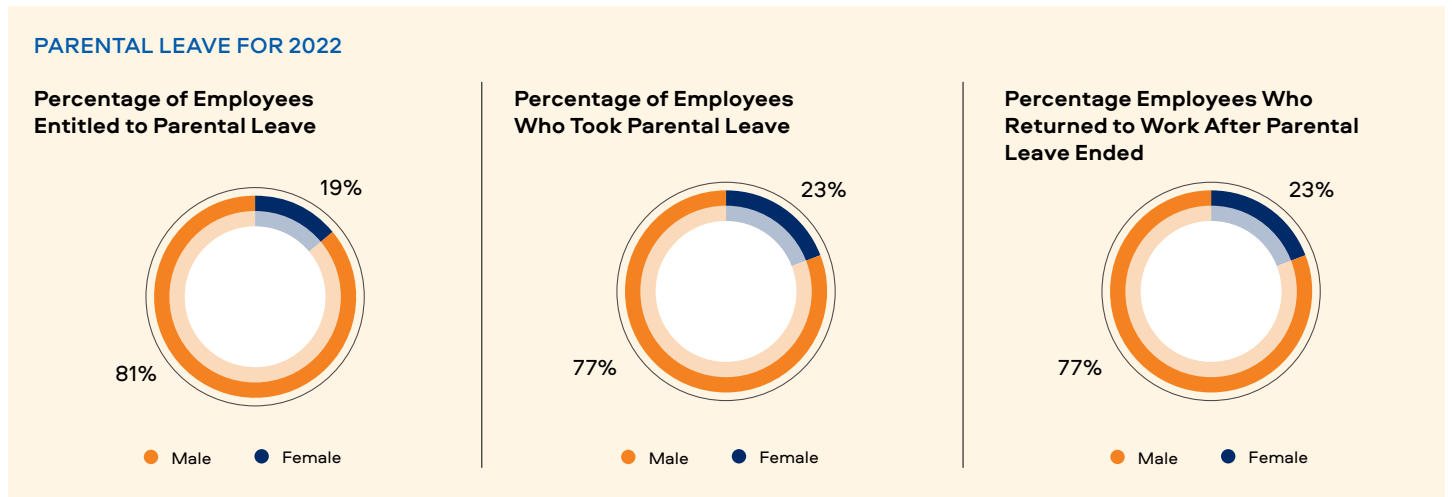
To support our employees throughout different stages of their life cycle, our various policies include providing employees with parental leave, mothers-to-be and new mothers with flexible working arrangements. For example, an expectant mother with on-the-go roles can opt for the flexibility to switch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

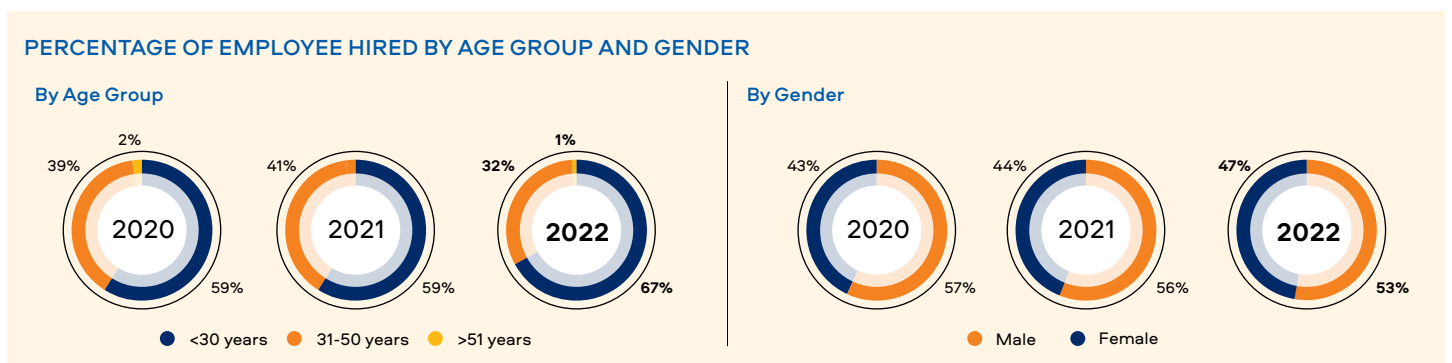
Above and beyond that, we respect the right of employees and provide adequate time-off for them to care for their child after birth or adoption. In 2022, 100% of employees who took parental leave returned to work.



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.



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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

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.



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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.



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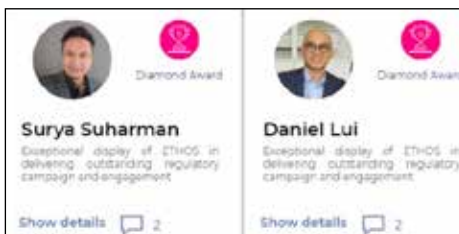


RECOGNISING & REWARDING TALENT

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.

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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

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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 through 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.

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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.