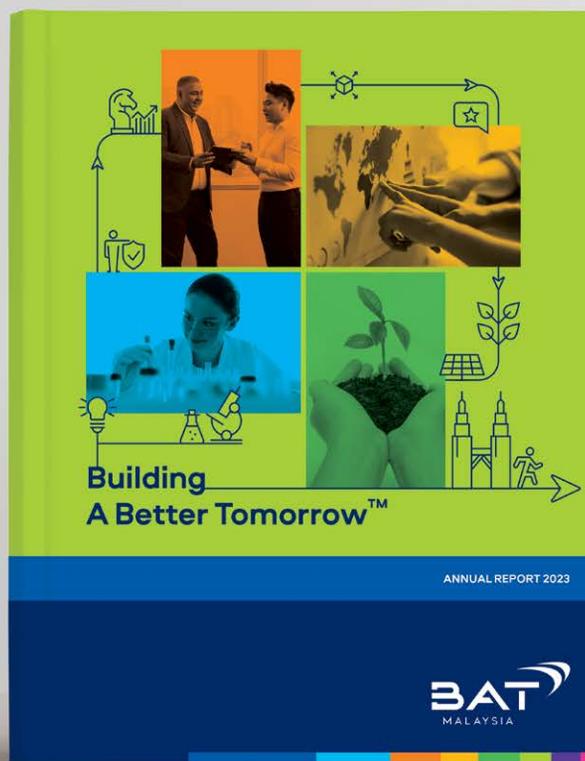




# Building A Better Tomorrow™

ANNUAL REPORT 2023





## Building A Better Tomorrow™

The cover design of this year's Annual Report, characterised by vector elements and lines, epitomises the Company's continued efforts in building A Better Tomorrow™. Just as the design elements denote BAT Malaysia's synergistic strengths, we are resolute in our commitment to driving change by consistently investing in reduced-risk products<sup>\*</sup>, sustainable practices, technological innovation, responsible marketing strategies and good corporate conduct. These actions across well-defined vectors seek to reduce the health impact of tobacco, reduce environmental footprint and promote safer and more informed consumption, ultimately contributing to a more promising and consistent future.

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

† Our vapour product Vuse (including Alto, Solo, Ciro, and Vibe), and certain products, including Velo, Grizzly, Kodiak, and Camel Snus, which are sold in the U.S., are subject to FDA regulation and no reduced-risk claims will be made as to these products without agency clearance.

# BASIS OF THIS REPORT

## INTEGRATED REPORTING APPROACH

BAT Malaysia continued its journey into Integrated Reporting which started in 2022. Guided by both local and international guidelines and frameworks, this annual report covers the Company's activities between 1 January 2023 and 31 December 2023 and strives to present balanced and comprehensive information to our stakeholders regarding our strategic process and financial performance.

This report also details our non-financial performance in 2023 that incorporates our progress in the Tobacco Harm Reduction, Environmental, Social and Governance contexts, which are elaborated on further in our Sustainability Statement.

## SCOPE AND BOUNDARIES

This report provides an overview of BAT Malaysia's annual sustainability performance against key performance indicators. The scope includes our operations in Malaysia, including our offices, manufacturing facilities and commercial activities.

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

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

- GRI Standards
- Bursa Malaysia Sustainability Reporting Guide (3<sup>rd</sup> Edition)
- FTSE4Good requirements

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

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

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

## OUR PURPOSE

To build A Better Tomorrow™ for all our stakeholders.

## OUR COMMITMENT

To reduce the health impact of our business through a multcategory portfolio of reduced-risk† products.

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

† Our vapour product Vuse (including Alto, Solo, Ciro, and Vibe), and certain products, including Velo, Grizzly, Kodiak, and Camel Snus, which are sold in the U.S., are subject to FDA regulation and no reduced-risk claims will be made as to these products without agency clearance.



References to "BAT Malaysia", the "Company", "we", "us" and "our" in this report refer to the BAT Malaysia Group. Such references are simply for convenience and are not intended to imply or suggest that the subsidiaries' businesses are operated other than as separate, distinct business. The companies in which British American Tobacco p.l.c. directly and indirectly has an interest are separate and distinct entities.

All information presented is as at 31 December 2023, unless otherwise stated.

### FORWARD-LOOKING STATEMENTS

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

### NAVIGATIONAL ICONS

Find more information inside this report



Refers readers to more information online



### FEEDBACK

We welcome feedback on the report and look forward to receiving your comments/suggestions via email to [bat\\_malaysia@bat.com](mailto:bat_malaysia@bat.com).

This report is available on our corporate website at: <https://www.batmalaysia.com/>

Scan to view our Annual Report 2023 microsite



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# ABOUT US

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



- 6 A Year at a Glance
- 8 Who We Are
- 9 Corporate Structure
- 10 What We Do

## A YEAR AT A GLANCE



Revenue  
**RM2,311** Million



Basic Earnings Per Share  
**68.2** Sen



Net Dividend Per Share  
**63** Sen



Market Share of Legal Combustible  
**51.1%**



Profit Before Tax  
**RM256** Million



Net Profit  
**RM195** Million



Shareholders' Fund  
**RM378** Million



Net Returns on Shareholders' Fund  
**52%**



### Awards and Achievements

1 ———○

#### TOP Employer Award

- Top Employer in Malaysia for the sixth consecutive year
- Top Employer in the Asia Pacific and Global categories



2 ———○

#### Bursa Malaysia FTSE Russell ESG Ratings

- Top 25% among public listed companies in ESG performance



## A YEAR AT A GLANCE



## 3

**Graduates Choice Award**

- 2024 Graduates' Choice of Employer to Work for in the tobacco category
- No. 1 ranking in Malaysia at Talentbank's Graduates Choice Award

**Employee Experience Award**

- Bronze award for the Best Hybrid Working Model



## 4

**Malaysian Occupational Safety and Health Practitioners' Association (MOSHPA) Award**

- Platinum Gold Award in the FMCG category
- 5<sup>th</sup> consecutive year that BAT Malaysia has been awarded by MOSHPA



## WHO WE ARE



## BRITISH AMERICAN TOBACCO (MALAYSIA) BERHAD

**BAT Malaysia is the leading tobacco company in the country with a 51.1% share of the legal combustible market.**

*(Source: IPSOS Retail Audit Dec 2023)*

The Company, with 282 employees, has been listed on the Malaysian stock exchange since 1961.

We have a proud legacy of over 100 years of operating in Malaysia. Our corporate purpose is to build A Better Tomorrow™ by reducing the health impact of our business through offering a greater choice of enjoyable and reduced-risk† products to our adult consumers. Towards this aim, British American Tobacco Group (BAT Group) has developed New Categories of reduced-risk† alternatives to smoking.

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

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

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

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# CORPORATE STRUCTURE



## WHAT WE DO



### OUR PURPOSE

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



### OUR STRATEGY

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

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

Our mission is to anticipate and satisfy the ever-evolving adult consumer: providing pleasure, reducing risk, increasing choice and stimulating the senses.

WHAT WE DO

# 112

Years of History  
in Malaysia



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

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

**DUNHILL**

*Luckies*

*Peter Stuyvesant*

*Rothmans*

# 282

Employees



# OUR LEADERSHIP STATEMENT

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# 2



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



14 Joint Message from  
Our Chairman and  
Our Managing Director



—○  
**NEDAL LOUAY  
SALEM**  
(MANAGING  
DIRECTOR)

—○  
**TAN SRI DATO'  
SERI DR. ASEH  
BIN HAJI CHE MAT**  
(CHAIRMAN)

## JOINT MESSAGE FROM OUR CHAIRMAN AND OUR MANAGING DIRECTOR



## JOINT MESSAGE FROM OUR CHAIRMAN AND OUR MANAGING DIRECTOR

Revenue  
**RM2,311**  
Million

Shareholders' Fund  
**RM378**  
Million

Profit Before Tax  
**RM256**  
Million

Dear Shareholders,

“ On behalf of the Board of Directors, we are pleased to present BAT Malaysia’s Annual Report and Financial Statements for the financial year ended 31 December 2023. ”

2023 has been extremely challenging for BAT Malaysia Group on the back of strong economic headwinds and continued inflationary pressures that reduced the disposable income of consumers. This in turn forced consumers to downtrade or choose alternative nicotine products such as vapour.

As a result, BAT Malaysia’s revenue declined by 11% to RM2,311 million due to lower industry volume in the combustible space driven by the increase in vapour usage as well as the persistent tobacco black market. Following legalisation of vapour in April 2023, the group expanded its business into the vapour category in 2023 and sizeable investments were incurred to build brand visibility and credentials which resulted in a decrease in net profit of 26% to RM195 million.

Despite this, the Board of Directors maintained a dividend payout ratio of 92% this year as we upheld our commitment to deliver value to our stakeholders.

We remain steadfast in executing our strategy, in line with our purpose of building A Better Tomorrow™. We are transforming BAT Malaysia into a high-growth, multicategory consumer goods Company spearheaded by winning brands and multi-talented people.

In line with this, BAT Malaysia has refined its portfolio by defining the right mix of the right channels to capture the sizeable opportunity in the market, particularly with reduced-risk<sup>†</sup> products that continue

supplementing value actualized from the main business of combustible tobacco brands. This is reflected by capital reinvestment into the vapour category, with the launch of Vuse GO 1500 in July 2023, Vuse GO 3000 in October and Vuse GO 5000 by the end of 2023. In the Tobacco Heating Product category, glo™, was launched in early 2023.

BAT Malaysia supports sensible and evidence-based regulations that can be enforced effectively to deliver its intended objectives without fuelling the growth of the tobacco black market nor creating a black market for vapour. The passing of the Control of Smoking Products For Public Health Act 2023 is a step in the right direction to enable sustainable regulatory framework for reduced-risk<sup>†</sup> products.

We remain committed to working with policymakers in the fight against the tobacco black market, currently still at 55.6%. This issue is detrimental not only to public health but also has a significant adverse impact on the country’s economy – the tobacco black market results in an annual loss of RM5 billion for Malaysia due to uncollected taxes. Therefore, we laud the recent control measures announced by the Government of Malaysia in Budget 2024 to reduce smuggling activities and are heartened by the Government’s proactive measures to regulate vapour products.

As part and parcel of building A Better Tomorrow™, our emphasis on equitable and inclusive practices sustained the 4-star rating BAT Malaysia received on Bursa

Malaysia FTSE Russell’s Environmental, Social and Governance (ESG) index. Meanwhile, the flagship community project Beyond Benih, which encompasses food security and poverty alleviation through the empowerment of the Bottom 40 (B40) income-level communities to be self-sufficient by planting cash crops in community gardens has seen significant growth.

During the year under review, the first two pilot community gardens benefitted approximately 14,000 beneficiaries through the planting of cash crops and its downstream generation of funds from direct and value-added products. Given the success of the pilot, BAT Malaysia has increased its commitment with another ten community gardens in 2023, poised to benefit approximately 100,000 additional beneficiaries. In the upcoming year, we look forward to a significant increase in creating and sharing value with members of these communities.

Last but not least, we take this opportunity to express our gratitude to the dedicated team at BAT Malaysia for consistently upholding our culture. We eagerly anticipate fulfilling our promise to deliver sustainable value to all our stakeholders.

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

**Nedal Louay Salem**  
(Managing Director)

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

† Our vapour product Vuse (including Alto, Solo, Ciro, and Vibe), and certain products, including Velo, Grizzly, Kodiak, and Camel Snus, which are sold in the U.S., are subject to FDA regulation and no reduced-risk claims will be made as to these products without agency clearance.



# VALUE CREATION

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

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## OUR APPROACH TO SUSTAINABILITY



Our Sustainability strategy underpins how we conduct our business and deliver our corporate purpose of building A Better Tomorrow™. It reflects our commitment to reducing the health impact of our business while simultaneously driving excellence across Environmental, Social and Governance (ESG) matters. While we continue to align our own efforts with the Group's strategy, our approach and priorities have been localised to meet our stakeholders' priorities. We are committed to continue to embed sustainable thinking into every aspect of our business.

In 2023, we conducted a Double Materiality Assessment (DMA) to better understand the expectations of our stakeholders and align our sustainability agenda so that we continue to create value. More information on our DMA is available on page 31 of this report.

### OUR SUSTAINABILITY STRATEGY

At the centre of our strategy is our corporate purpose of building A Better Tomorrow™ by reducing the health impact of our business. This is underpinned by our commitment to drive progress across all our material ESG matters.

Our sustainability strategy is made up of four thematic pillars - reducing the health impact of our business; driving excellence in environmental management; delivering a positive social impact; and embracing robust corporate governance. Under the Tobacco Harm Reduction pillar, we champion adult consumer choice by ensuring access to scientifically substantiated reduced-risk<sup>†</sup> alternatives in line with the BAT Group's Tobacco Harm Reduction strategy. Under our Environmental pillar, we strive to minimise our impact on climate change and natural resources across our value chain. Our Social pillar encompasses providing a safe and equitable workplace that attracts and retains great talent, espousing a diverse and inclusive work culture for our employees and contractors and supporting the well-being of the communities in which we operate. In the Governance pillar, we strive to ensure ethical and responsible business conduct while always complying with the relevant laws and regulations.

While we are encouraged by the progress made in delivering our sustainability strategy, we will continue to focus on delivering our sustainability commitments and improving how we report progress against our goals and targets.

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OUR APPROACH TO SUSTAINABILITY



- Supply Chain Management related governance has been combined into **Ethics and Integrity**
- Level Playing Field and Balanced Regulations topics have been combined into **Responsible Marketing and Compliance**
- Attracting, Developing and Retaining Talent and Diversity and Inclusion topics have been combined into **People, Diversity and Culture**

OUR APPROACH TO SUSTAINABILITY

OUR ESG GLIDE PATH AND PERFORMANCE

**Key**  Achieved - Met target/ambition on or ahead of time  On track - Likely to meet target/ambition on time  Ongoing focus - Continued progress towards target/ambition required  Not on track - Significant progress required to meet target/ambition on time

**BAT Malaysia's Material ESG Topics**

Topics	BAT Group's Goals and Targets	BAT Malaysia's Goals and Targets	2023 Performance	Status
Climate Change and Energy	<ul style="list-style-type: none"> <li>50% reduction in Scopes 1 and 2 GHG Emissions by 2030 (vs. 2020 baseline)</li> <li>50% reduction in Scope 3 GHG Emissions by 2030 (vs. 2020 baseline)</li> </ul>	50% Reduction in Scopes 1 and 2 GHG Emissions by 2030 (vs. 2020 baseline)	61% Reduction	
		50% renewable energy by 2030	30%	
Circular Economy	<ul style="list-style-type: none"> <li>100% packaging to be reusable, recyclable or compostable by 2025</li> </ul>	Replace inner foil wrapper of the Benson and Hedges package with recyclable paper	Implemented	
		New Category device take-back scheme in place	Implemented	
	<ul style="list-style-type: none"> <li>25% reduction in waste generated in owned operations by 2025 (vs. 2017 baseline)</li> </ul>	25% reduction in waste generated by 2025 (vs. 2017 baseline)	70% Reduction	
		90% recycling rate of waste generated by 2025	83%	
	Zero waste sent to landfill from direct operations	0.9%		
Water	<ul style="list-style-type: none"> <li>35% less water used by 2025</li> </ul>	35% reduction in water withdrawn by 2025 (vs. 2017 baseline)	83% Reduction	

## OUR APPROACH TO SUSTAINABILITY

BAT Malaysia's  
Material ESG

BAT Malaysia's Material ESG Topics	BAT Group's Goals and Targets	BAT Malaysia's Goals and Targets	2023 Performance	Status
People, Diversity and Culture	<ul style="list-style-type: none"> <li>● <b>Increase the proportion of women in management roles to 45% by 2025</b></li> </ul>	Aim to increase the proportion of women in management roles (grade 34 and above) to 45% by 2025	36%	
		Aim to increase number of cross-industry hires in management (grade 34 and above) to 45% by 2025	35%	
Employee Health and Safety	<ul style="list-style-type: none"> <li>● <b>Aiming for zero accidents Group-wide each year</b></li> </ul>	Aim to maintain zero accidents across BAT Malaysia business operations	Zero	
Human Rights	<ul style="list-style-type: none"> <li>● <b>Aiming for zero incidents of child labour in our Tobacco Supply Chain by 2025</b></li> </ul>	Aim for zero child labour in our tobacco supply chain	No Reported Incidents	
Communities, Social Impact and Well-being	<ul style="list-style-type: none"> <li>● <b>No BAT Group goal or target</b> <i>Community investment is part of BAT Malaysia's glide path; a local priority, as per the Double Materiality Assessment</i></li> </ul>	250,000 beneficiaries to be supported through Beyond Benih by 2026	~14,000 Beneficiaries	
Ethics and Integrity	<ul style="list-style-type: none"> <li>● <b>100% SoBC compliance</b> Aiming for full adherence to our Standards of Business Conduct (SoBC)</li> </ul>	100% of employees completed SoBC training and compliance sign-off procedure	100%	✓
Responsible Marketing and Compliance	<ul style="list-style-type: none"> <li>● <b>Full compliance</b> Aiming for full compliance with marketing regulations</li> </ul>	Zero incidents of significant non-compliance with marketing regulations*	Zero	
		Full adherence to BAT Group's Youth Access Prevention (YAP) and International Marketing Principles (IMP) Guidelines	No Reported Incidents	
		Aim for reduction in total black market incidence	55.6%	
Sustainability Governance	<ul style="list-style-type: none"> <li>● <b>No BAT Group goal or target</b></li> </ul>	Effective management of sustainability governance to ensure compliance with Bursa Malaysia's Main Market Listing Requirements	Implemented	

\* Significant incident of non-compliance is defined as any incident that results in a RM5,000 and above fine or court case.

## OUR APPROACH TO SUSTAINABILITY

## BURSA MALAYSIA SUSTAINABILITY REPORTING GUIDE

BAT Malaysia has included the disclosures for common sustainability indicators as required by Bursa Malaysia under their Sustainability Reporting Guide (3<sup>rd</sup> edition), which was announced in September 2022. Going forward, we will continue to include these disclosures in our integrated report to ensure year-on-year comparability.

This sustainability report has not been subjected to an assurance process.

Category	Indicators	2023	Notes	
Anti-corruption	Percentage of employees who have received training on anti-corruption by employee category	100%	Anti-corruption is part of the mandatory Standards of Business Conduct training carried out annually covering all employees	
	Percentage of operations assessed for corruption-related risks	100%	Our operations are assessed under the risk management process	
	Confirmed incidents of corruption and actions taken	0		
Community/Society	Total amount invested in the community where the target beneficiaries are external to the listed issuer	RM727,959		
	Total number of beneficiaries of the investment	~14,000		
Diversity	Percentage of employees by gender and age group, for each employee category	<b>Gender Group by Employee Category</b>	Non-executive/Technical staff as per BAT Malaysia's employment categorisation includes interns/fixed term contractors. They are not included as part of the 282 permanent headcount	
		<b>%</b>		
		Management Male		22
		Management Female		12
		Executive Male		47
		Executive Female		19
		Non-executive/Technical Male		27
		Non-executive/Technical Female		73
		General Workers Male		0
		General Workers Female		0
		<b>Age Group by Employee Category</b>		<b>%</b>
		Management <30		9
		Management 30-50		22
		Management > 50		3
		Executive < 30		24
		Executive 30-50		37
		Executive > 50		5
		Non-executive/Technical Staff < 30		100
		Non-executive/Technical Staff 30-50		0
		Non-executive/Technical Staff >50		0
General Workers < 30	0			
General Workers 30-50	0			
General Workers > 50	0			
Percentage of directors by gender and age group	<b>By Gender</b>	<b>%</b>		
	Male	71		
	Female	29		
	<b>By Age Group</b>	<b>%</b>		
	Under 30	0		
	Between 30-50	0		
	Above 50	100		

## OUR APPROACH TO SUSTAINABILITY

Category	Indicators	2023	Notes
Energy Management	Total energy consumption	4,830 Megawatt	
Health and Safety	Number of work-related fatalities	0	
	Lost time incident rate	0	
	Number of employees trained on health and safety standards	92	Number of employees who underwent defensive driver training
Labour Practices and Standards	Total hours of training by employee category	Total hours: 11,186	Contractual employees are fixed term employees hired under BAT Malaysia payroll
		<b>Total Hours of Training by Employee Category (hours)</b>	
		Management 7,332	
		Executive 3,854	
		Non-executive/Technical Staff 0	
	General Workers 0		
Percentage of employees who are contractors or temporary staff	4%		
Total number of employee turnovers by employee category	<b>Total Number of Employee Turnover by Employee Category</b>		
	Management 11		
	Executive 46		
	Non-executive/Technical Staff 0		
	General Workers 0		
Number of substantiated complaints concerning human rights violations	0		
Supply Chain Management	Proportion of spending on local suppliers	93%	
Data Privacy and Security	Number of substantiated complaints concerning breaches of customer privacy and losses of customer data	0	
Water	Total volume of water used	1,117m <sup>3</sup>	BAT Malaysia only measures its water withdrawn for the year
Waste Management	Total waste generated, with following break down (i) total waste diverted from disposal (ii) total waste directed to disposal	Total Waste Generated = 3713 tonnes Waste diverted from disposal = 30.66 tonnes Waste directed to disposal = 6.47 tonnes	
Emissions	Scope 1 emissions in tonnes of CO <sub>2</sub> e	752 tCO <sub>2</sub> e	
	Scope 2 emissions in tonnes of CO <sub>2</sub> e	Zero	1,196 MWh of I-RECs were purchased and retired against BAT Malaysia's Scope 2 emissions in the reporting year
	Scope 3 emissions in tonnes of CO <sub>2</sub> e	2,172 tCO <sub>2</sub> e	Emission data for Scope 3 is not available for BAT Malaysia only. The figure reported here includes business travel and employee commuting at country level. Furthermore, due to the complexity of consolidating and assuring Scope 3 data, the BAT Group reports Scope 3 a year later. Therefore, the figure reported here is for 2022

## HOW WE CREATE VALUE



### Creating value for our consumers

- ▶ We are enabling consumer choice
- ▶ We are marketing and communicating responsibly
- ▶ We are prioritising product quality
- ▶ We are building brands with purpose

- Offering a multicategory portfolio of less risky products<sup>†</sup>, tailored to meet the evolving preferences of adult consumers.
- Providing brands consumers can trust, manufactured to high quality standards.
- Ensuring responsible marketing that neither engages nor targets youth by complying with the BAT Group's Youth Access Prevention (YAP) and International Marketing Principles (IMPs).
- Implementing a device take-back scheme for our New Category products.



### Creating value for the environment and communities

- ▶ We are reducing our environmental impact
- ▶ We are creating a positive social impact on communities
- ▶ We are upholding human rights
- ▶ We are acting with integrity and marketing responsibly

- Maintaining our Johor Bahru factory's PAS2060 certification for Scopes 1 and 2 for the second consecutive year.
- 30% of energy consumed is from renewable sources.
- Maintaining <1% waste sent to landfill with continued focus to achieve zero waste to landfill.
- No human rights violation reported.
- Implementing the "Beyond Benih" community investment programme, which supports food security in low-income families. Invested RM727,959 and supported ~14,000 people.
- Committing to delivering with integrity and marketing our products in a responsible manner.



### Creating value for our employees

- ▶ We are embracing diversity
- ▶ We are rewarding our employees equitably
- ▶ We are investing in talent
- ▶ We are nurturing a safe workplace

- Maintaining a welcoming and inclusive workplace, working to mitigate discriminatory practices and promoting equality and diversity while preventing harassment and bullying.
- Females constitute 31% of employees, with 36% of occupying management roles.
- Investing in employee training and skills development – 40 average training hours per employee.
- International exposure and career progression opportunities – 9 employees sent on international assignments and 35 promoted across various organisational levels.
- Implementing a Parental Leave Policy which grants expectant mothers a six-month maternity leave and expectant fathers a 20-day paternity leave while also extending support for parents dealing with adoption, stillbirth, miscarriage and premature birth.
- Nurturing a dynamic, inspiring and safe workplace that values employee well-being and growth.
- Conducting a holistic programme to address the mental, physical and financial well-being of employees and implementing a monthly half-day dedicated solely to prioritising the well-being of our employees.
- Implementing the A Better Tomorrow™ Awards, an initiative to appreciate employees who embody our values and contribute to our business. A total of 478 nominations were awarded to 283 distinct recipients.
- Prioritising employee health and safety – Zero Lost Time Injuries (LTIs) or fatalities in 2023.



### Creating value for our stakeholders

- ▶ We are maintaining strong foundations
- ▶ We are transforming our business
- ▶ We are establishing a strategy for accelerated growth
- ▶ We are building a sustainable enterprise for the future

- Holding a legacy spanning 112 years of operations in Malaysia.
- Listed on Bursa Malaysia since 1961.
- Implementing a consumer-centric multicategory strategy aimed at becoming a high-growth consumer goods business.
- Supporting Malaysia's fight against black market products through proactive engagement with law enforcement authorities.
- Continuing to focus on reducing the health impact of our business and advancing our ESG priorities.

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

† Our vapour product Vuse (including Alto, Solo, Ciro, and Vibe), and certain products, including Velo, Grizzly, Kodiak, and Camel Snus, which are sold in the U.S. are subject to FDA regulation and no reduced-risk claims will be made as to these products without agency clearance.

## OUR ALIGNMENT WITH UNSDGs

The United Nations Sustainable Development Goals (UNSDGs) were designed to provide a shared blueprint for governments, civil society and the private sector to create a sustainable future.

BAT Malaysia's sustainability strategy is aligned with the UNSDGs. We have mapped our Sustainability Agenda and material sustainability topics to the UNSDGs to determine those that are most relevant for our business and stakeholders.





# MANAGEMENT DISCUSSION & ANALYSIS





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

28	Operating Landscape
29	Key Relationships
31	Material Matters
35	The Risk We Consider
36	A Strategy for Driving Growth
	<ul style="list-style-type: none"> <li>• Drive Value from Combustibles</li> <li>• Ensure a Step Change in New Category Performance</li> <li>• Simpler and Smarter Organisation</li> </ul>
44	Finance Director's Review

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

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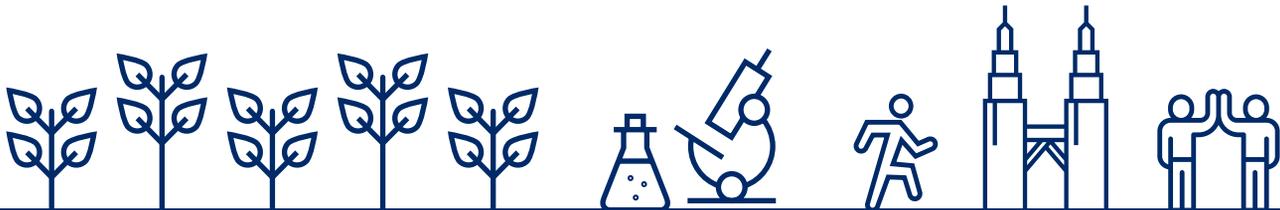
## OPERATING LANDSCAPE

### THE TOBACCO BLACK MARKET

**The dynamics of the total nicotine landscape has evolved since 2015 after the huge 40% excise increase, which saw an increasing tobacco black market and exponential growth of vapour despite it being illegal until it was legalised in April 2023.**

As a result, BAT Malaysia Group was faced with an extremely challenging operating environment in 2023 where the tobacco black market remains high, accounting for more than half (55.6%) of the total combustible market on the back of strong economic headwinds, which reduced the disposable income of consumers due to inflationary pressures throughout the year. This in turn, drove consumers to down trade or switch to alternative nicotine products such as vapour.

The tobacco black market also has a severe impact on public health and the economy, causing an annual leakage of approximately RM5 billion in tax revenue for the government. It is therefore essential for all stakeholders, including BAT Malaysia, to collaborate closely and develop a comprehensive strategy to address the issue.



## KEY RELATIONSHIPS

BAT Malaysia's stakeholders are strategically important to our business and understanding their needs and priorities is vital to our ability to build a resilient business that creates long-term sustainable value. Our stakeholders comprise regulators, consumers, employees, investors, business partners, the media, community members and Non-Governmental Organisations (NGOs) and we engage with these stakeholders on a regular basis through various well-established platforms. In addition to our regular engagement channels, in 2023 BAT Malaysia also conducted a Double Materiality Assessment (DMA) with the objective of determining matters that would impact our ability to deliver sustainable value to all stakeholders. Through the DMA we have established the material matters, presented on page 31 of this report, that inform our Sustainability strategy.

### STAKEHOLDER ENGAGEMENT

Stakeholders	Engagement Platforms	Issues	How We Addressed the Issues
<b>Regulators</b>	<ul style="list-style-type: none"> <li>Public consultations and regular meetings</li> </ul>	<ul style="list-style-type: none"> <li>Tobacco black market</li> <li>Tobacco Harm Reduction and New Category products</li> <li>Tobacco control regulations</li> <li>Embedding ESG into operations and ESG performance</li> </ul>	<ul style="list-style-type: none"> <li>Two-way dialogue and shared information about the tobacco black market and its impacts, Tobacco Harm Reduction and New Category products</li> <li>Two-way industry led dialogue on tobacco control regulations</li> <li>DMA conducted and sustainability strategy aligned with stakeholders priorities</li> <li>Sustainability performance disclosed as part of Annual Report</li> </ul>
<b>Consumers</b>	<ul style="list-style-type: none"> <li>Customer service hotline</li> <li>Corporate emails</li> <li>Corporate website</li> <li>Company press releases</li> </ul>	<ul style="list-style-type: none"> <li>Product information</li> <li>Tobacco black market</li> <li>New Category products</li> </ul>	<ul style="list-style-type: none"> <li>Dedicated call centre to identify and address consumer concerns and provide essential information to keep consumers informed</li> <li>Awareness through press releases of quarterly financial performance</li> </ul>
<b>Employees</b>	<ul style="list-style-type: none"> <li>Bi-annual 'Your Voice' employee engagement survey</li> <li>Quarterly town hall sessions</li> <li>Annual corporate line-of-sight session</li> <li>'Speak Up' channel</li> <li>Annual employee engagement events</li> </ul>	<ul style="list-style-type: none"> <li>Career progression and development</li> <li>Fair compensation</li> <li>Rewards mechanisms</li> <li>Diversity and inclusivity</li> <li>Physical and mental wellness</li> <li>Grievances, discrimination and fair treatment</li> <li>Managing ESG across operations and ESG performance</li> </ul>	<ul style="list-style-type: none"> <li>Feedback from 'Your Voice' survey incorporated into the talent strategy</li> <li>Progress review and development discussions with line managers</li> <li>Coaching and mentoring sessions</li> <li>Safety training and awareness through Safety Days and regular information sharing</li> <li>Employee wellness sessions</li> <li>All grievances reported via the 'Speak Up' channel and other means are investigated to ensure a closure and outcomes communicated to relevant parties</li> <li>Various employee engagement platforms to engage with all employees</li> <li>DMA conducted and sustainability strategy aligned with stakeholders priorities</li> <li>Sustainability performance disclosed as part of Annual Report</li> </ul>
<b>Investors and Analysts</b>	<ul style="list-style-type: none"> <li>Annual General Meeting</li> <li>Annual Report</li> <li>Regular Analyst briefings</li> <li>Corporate website</li> <li>Company press releases</li> </ul>	<ul style="list-style-type: none"> <li>Corporate strategy and financial performance</li> <li>Corporate governance and compliance</li> <li>Tobacco black market</li> <li>New Category products</li> <li>Managing ESG risks and identifying opportunities</li> <li>ESG performance</li> </ul>	<ul style="list-style-type: none"> <li>Briefings and engagement throughout the year for analysts and investors to discuss business performance, strategies and related issues</li> <li>DMA conducted and sustainability strategy aligned with stakeholders priorities</li> <li>Sustainability performance disclosed as part of Annual Report</li> </ul>

## KEY RELATIONSHIPS

Stakeholders	Engagement Platforms	Issues	How We Addressed the Issues
<b>Media</b>	<ul style="list-style-type: none"> <li>• Press conferences</li> <li>• Media interviews and events</li> <li>• Formal and informal briefings</li> </ul>	<ul style="list-style-type: none"> <li>• Corporate strategy</li> <li>• Financial performance</li> <li>• Products and services</li> <li>• Tobacco black market</li> <li>• New Category products</li> </ul>	<ul style="list-style-type: none"> <li>• Media engagements to provide updates on business performance, strategies, products and how we are creating value in communities</li> </ul>
<b>Business Partners</b>	<ul style="list-style-type: none"> <li>• Meetings with business partners</li> </ul>	<ul style="list-style-type: none"> <li>• Ensuring that our business partners stay updated on and comply with the latest regulations and standards</li> <li>• Embedding ESG into operations and ESG performance</li> </ul>	<ul style="list-style-type: none"> <li>• Briefings, information-sharing sessions and training with our business partners to ensure their compliance with regulations and standards</li> <li>• DMA conducted and sustainability strategy aligned with stakeholders priorities</li> <li>• Sustainability performance disclosed as part of Annual Report</li> </ul>
<b>Communities and NGOs</b>	<ul style="list-style-type: none"> <li>• Meetings with Resident Associations of the communities supported through Beyond Benih</li> <li>• Company press releases</li> <li>• Corporate Website</li> </ul>	<ul style="list-style-type: none"> <li>• Empowering low-income communities</li> <li>• Upholding Environmental, Health and Safety (EHS) best practices</li> <li>• ESG performance</li> </ul>	<ul style="list-style-type: none"> <li>• Launched Beyond Benih programme to support food security in low-income B40 communities. Expanded the programme across Malaysia by launching 10 new farm gardens</li> <li>• Monitoring and tracking environmental performance and ensuring compliance with applicable environmental and health and safety regulations</li> <li>• DMA conducted and sustainability strategy aligned with stakeholders priorities</li> <li>• Sustainability performance disclosed as part of Annual Report</li> </ul>

## MATERIAL MATTERS

### HOW WE ASSESS MATERIALITY

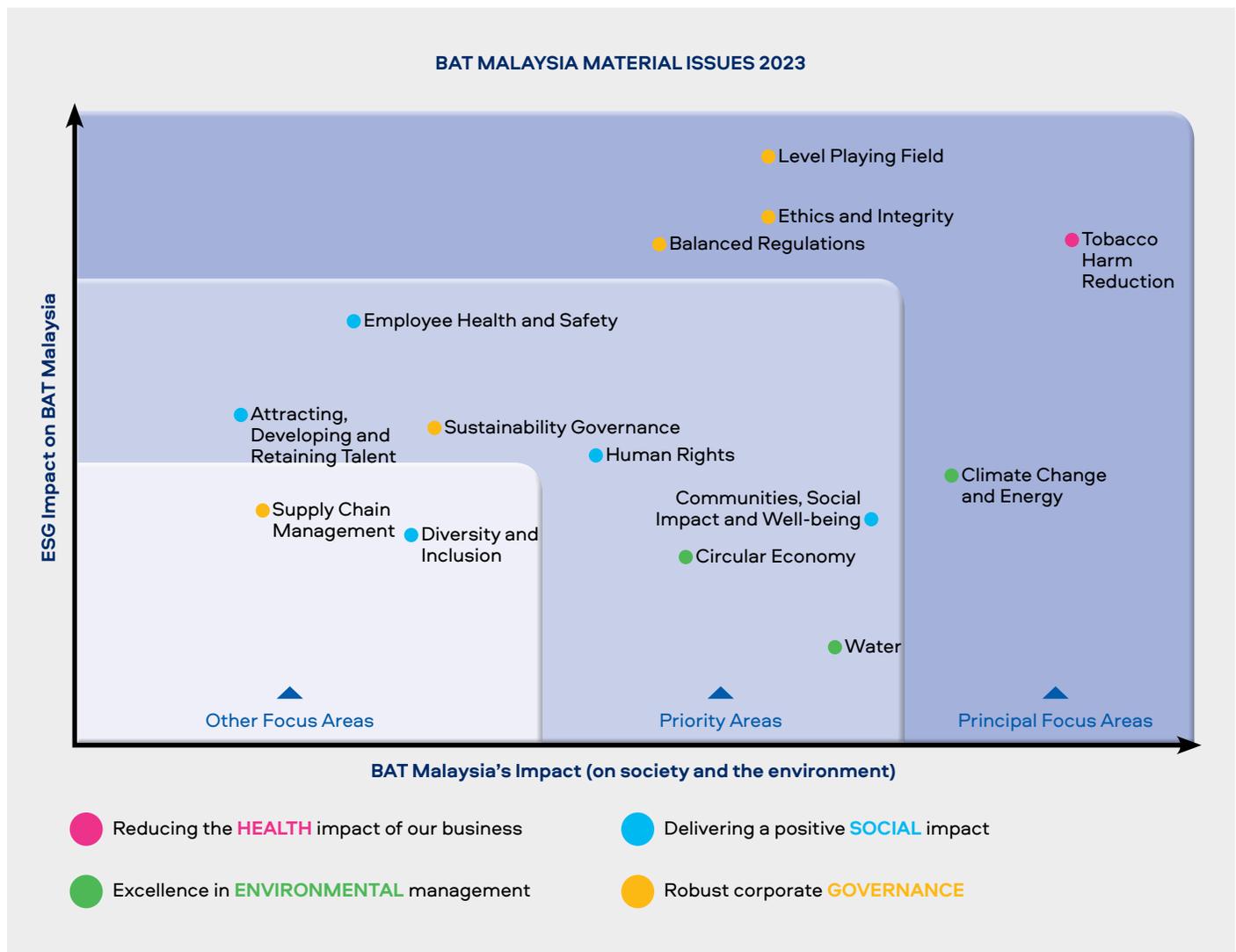
Determining our material matters is a crucial part of our approach to sustainability, as it enables us to identify and understand our sustainability priorities. The material matters published in this annual report were identified following the Double Materiality Assessment (DMA) conducted in 2023.

To ensure that BAT Malaysia's materiality matters are current in the local context, we worked with an external consultant to conduct an in-depth DMA focused on capturing the views of our key stakeholders. The assessment process was guided by AA1000 Accountability Principles and conducted by an independent third-party consultant. The outcome of our assessment is the materiality matrix presented below, which provides a visualisation of the relative importance of these matters.

Based on the findings of the assessment, BAT Malaysia has identified 14 material topics (10 material topics in 2022 report) that are relevant to its business operations and activities.

These material matters will be incorporated into BAT Malaysia's sustainability strategy and focus areas for 2024 and beyond.

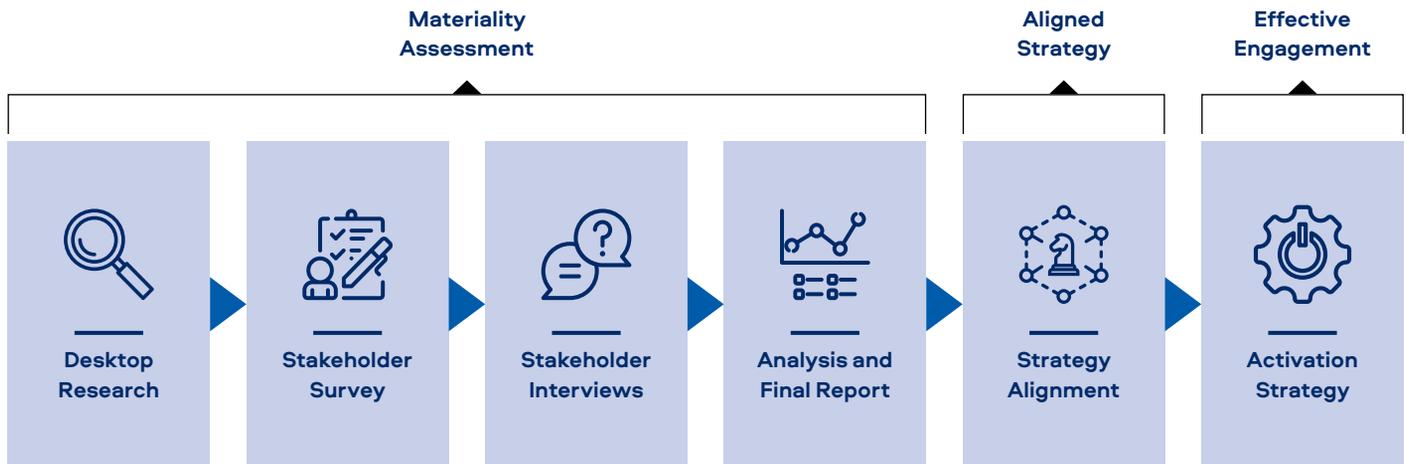
### BAT MALAYSIA'S MATERIALITY MATRIX



## MATERIAL MATTERS

## METHODOLOGY

Our methodology includes:



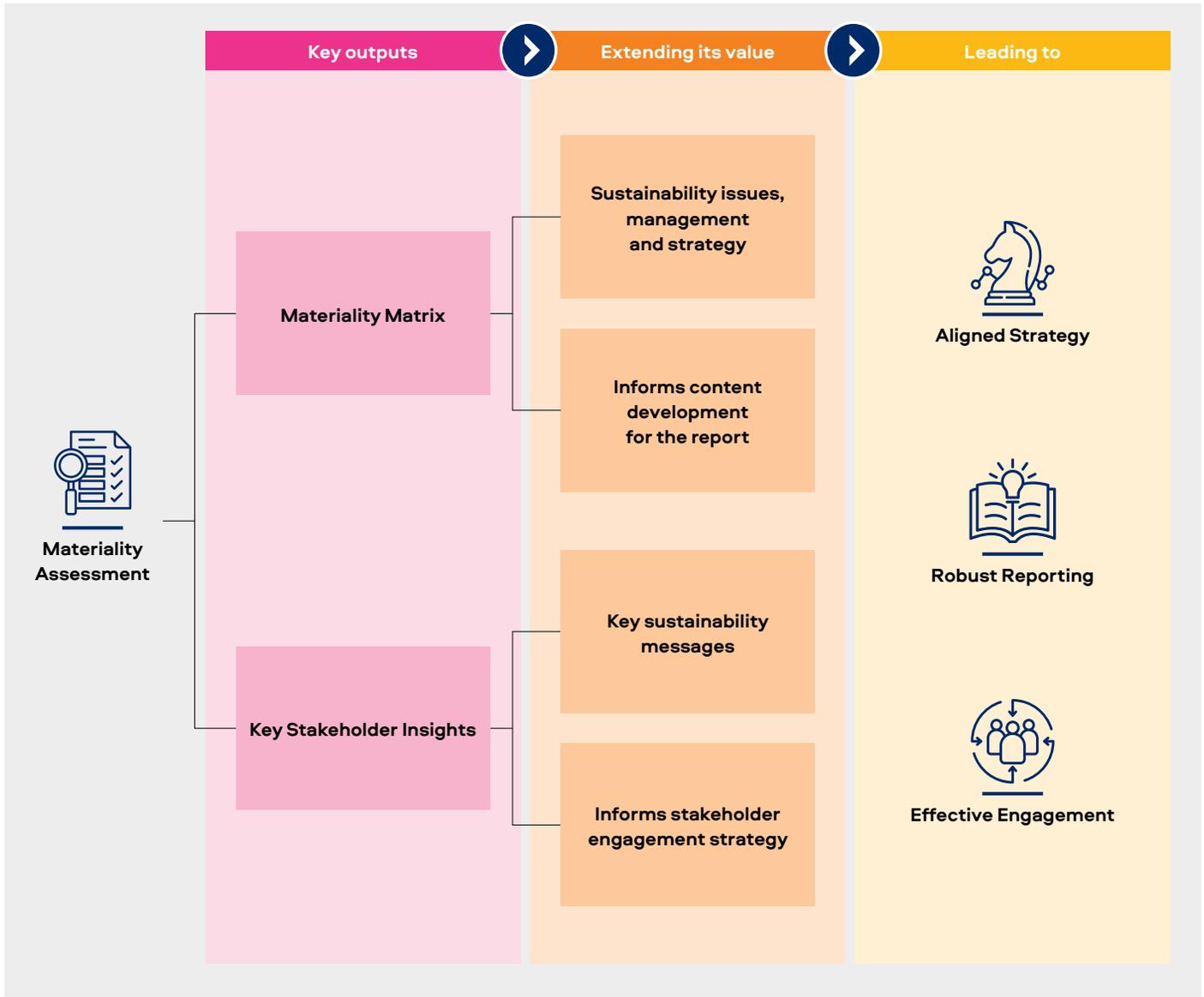
We initiated the material assessment with desktop research into BAT Malaysia’s sustainability and stakeholder landscape by drawing insights from materials already available including a high-level review of up to 7 peers and a review of key indices, benchmarks and regulations.

643 potential issues were identified based on the desktop research stage which were then categorised into broader headings resulting in 130 sustainability issues. These were further distilled into 14 material topics, which align with the issues adopted by the BAT Group.

We then conducted a digital survey to understand the relevance of material topics to different internal and external stakeholder groups. The survey was conducted based on the 14 topics identified from the desktop research, which also aligned with the four pillars of the BAT Malaysia’s Sustainability Agenda. Following this, we conducted interviews with key stakeholders again covering both external and internal, to understand their primary focus areas and the sustainability topics they considered as material. These material topics informed our new materiality matrix which is presented on page 31. Further, we conducted a review of our sustainability strategy to evaluate its level of alignment with our stakeholders’ priorities and concerns. The initial materiality matrix and realigned strategy were reviewed at a senior leadership workshop to capture further recommendations and internal alignment.

The findings and key recommendations from the DMA have informed our sustainability strategy, combined reporting, stakeholder engagements and communications strategy.

MATERIAL MATTERS



## MATERIAL MATTERS

## KEY FINDINGS

The key message that emerged from the double materiality assessment was that BAT Malaysia's stakeholders have a largely positive impression of the Company's sustainability agenda and performance thus far.

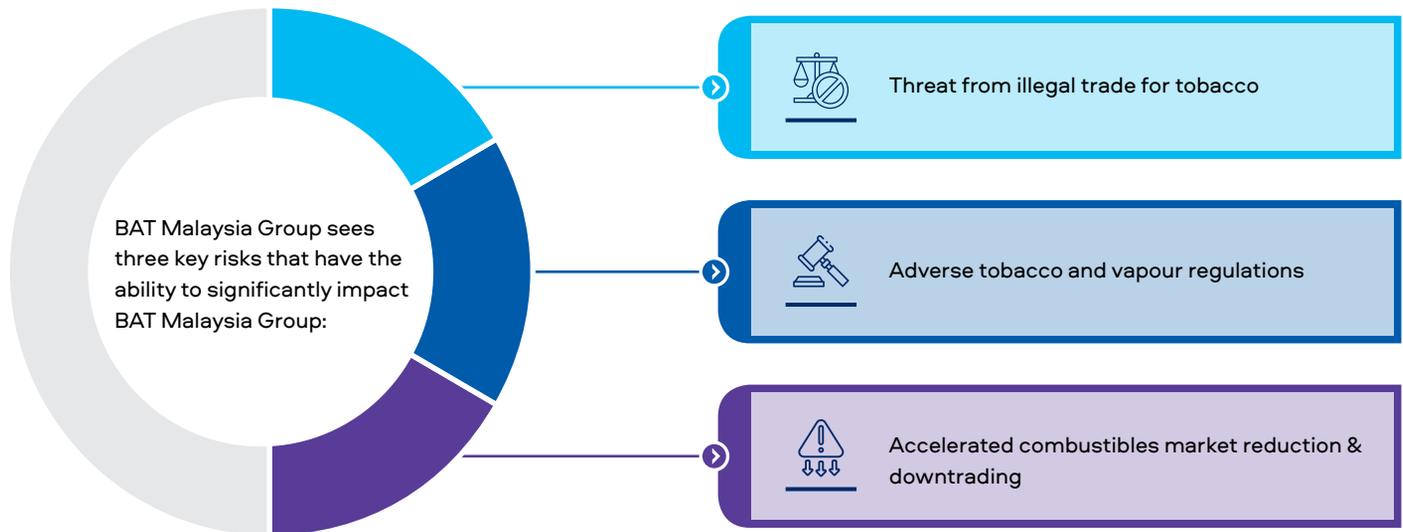
Despite the controversial nature of the tobacco industry, most stakeholders regard BAT Malaysia to have contributed significant value to stakeholders through its operations. Participating stakeholders stated that the Company's strong corporate governance practices, attractiveness as an employer, consistent position towards responsible marketing, commitment to Tobacco Harm Reduction and the importance of having legally manufactured cigarettes as an alternative to black market cigarettes are the key reasons why they consider BAT Malaysia as an entity that continuously creates value for its stakeholders. Many stakeholders also noted the Company's flagship community investment programme - Beyond Benih as a positive step, with internal stakeholders taking pride in the outcomes achieved.

Other key issues that stakeholders believed BAT Malaysia should prioritise include advocacy efforts on regulations and policies that impact the industry, as well as a level playing field by supporting government efforts to curb black market trade in cigarettes. These issues also have a significant impact on the long-term sustainability of the Company as well as the society and environment and as such must continue to be prioritised by the business.



## THE RISKS WE CONSIDER

### KEY RISKS TO BAT MALAYSIA GROUP



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

### 2023 RISK MANAGEMENT ACTIVITIES

Review of BAT Malaysia Group's Risks	Promotion of Risk Awareness
<p>The Risk Management Team reviewed and assessed BAT Malaysia Group's risks formally twice during the year, in January and June 2023.</p> <p>On a monthly basis, the Chief Risk Officer provided updates on the status of the BCPs testing and highlighted any key threats to the internal controls of BAT Malaysia Group to the Leadership Team.</p> <p>On a quarterly basis, the Risk Management Committee was briefed by the Chief Risk Officer on BAT Malaysia Group's Enterprise Risk Management Programme. The briefing included updates on the key risks of BAT Malaysia Group, risk mitigation plans and the status of the BCPs testing.</p>	<p>Risk communication is equally important and forms an integral part of the risk management activity as it focuses on the dissemination of risk information to appropriate levels of employees and stakeholders. Appropriate channels are available for employees to provide feedback on risk management issues and suggestions for improvement.</p> <p>During the year, company-wide risk and control awareness communications were cascaded and department huddles conducted regularly for all employees throughout the nation. The objectives of the communications and huddles were to raise risk and control awareness within BAT Malaysia Group and to drive compliance of controls and adherence to risk mitigation plans.</p>

## A STRATEGY FOR DRIVING GROWTH

### BAT Malaysia strategy for driving growth

#### OUR MISSION

### Stimulating the Senses of New Adult Generations

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

Our mission is to anticipate and satisfy this ever-evolving consumer: provide pleasure, reducing risk, increasing choice and stimulating the senses of adult consumers in Malaysia.



#### HOW WE WIN

### 1

#### Inspirational Foresights

Built on our successful history, we possess a unique understanding of adult consumers across our product categories. Our perspective is increasingly influenced by compelling data and analytics. These insights ensure the development and responsible marketing of our products meet the evolving needs of adult consumers.

### 2

#### Remarkable Innovation

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

### 3

#### Powerful Brands

For over a century, we have established trusted and powerful brands that meet the needs and preferences of our adult consumers. These brands symbolise our promise of quality and enjoyment. We aim to build the brands of the future by focusing on fewer, stronger and global brands across all our product categories. This will be achieved through our deep understanding and segmentation of our adult consumers.

### 4

#### Connected Organisation

Few companies can match the global reach that we possess. Cultivating an ecosystem that directly connects us with adult consumers and stakeholders, especially through the power of digital technology, enables us to build the brands of the future, broaden access to markets and foster innovations that provide sensorial enjoyment and cater to adult consumer needs.

### 5

#### People and Partnerships

Our highly motivated employees are empowered through the new values that are responsive to constant change, imbued with a learning culture and devoted to continuous improvement. However, we cannot succeed alone—our partnerships with suppliers and customers play a vital role in ensuring sustainable future growth in Malaysia.

## A STRATEGY FOR DRIVING GROWTH

## OUR PURPOSE &amp; KEY STAKEHOLDER OUTCOMES



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



### Consumers

Enjoyable choices for every mood and moment, today and tomorrow



### Communities

Reduced overall impact on health and the environment



### Employees

A dynamic, inspiring and purposeful workplace



### Stakeholders

Sustainable and superior returns

## OUR STRATEGIC PRIORITIES



Drive Value from Combustibles



Ensure a Step Change in New Category Performance



Simpler and Smarter Organisation



## DRIVE VALUE FROM COMBUSTIBLES

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

In 2023, our combustible business continues to defend its market leadership, despite industry challenges such as increasing downtrading and consumer interaction with the Vapour category.

Dunhill continues to maintain its unrivalled No.1 position in Malaysia, with more than double the share of the second biggest brand in the market.

Despite facing segment challenges, our premium and aspirational premium portfolio continues to perform well. The Group's Value-for-Money (VFM) brands, Luckies and Rothmans, are showing a strong performance by capitalising on market trends, with its proposition that aligns with consumers' evolving needs.

Our focus is to drive sustainable value growth within the combustibles category. One of the key initiatives in 2023 was implementing a price increase for key brands. This measure aims to ensure a sustainable business model that not only achieves our business objectives but also mitigates the challenges posed by the rising costs of doing business. In the long run, this strategy will support the development of new offerings, providing consumers with a wider choice of enjoyable and reduced-risk\*† products that cater to their ever-evolving needs.

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

† Our vapour product Vuse (including Alto, Solo, Ciro, and Vibe), and certain products, including Velo, Grizzly, Kodiak, and Camel Snus, which are sold in the U.S., are subject to FDA regulation and no reduced-risk claims will be made as to these products without agency clearance.

### EXTENDING PREMIUM SEGMENT LEADERSHIP

Dunhill maintains its status as the No. 1 brand in Malaysia and the leader in the premium segment. As the market-leading brand, we continue to reinforce Dunhill's value and position as the benchmark for taste, quality, modernity and innovation.

In Q1 2023, Dunhill introduced a limited-edition packaging to celebrate the best of Malaysia, followed by a refresher on the Flavours & Sensations range in Q3 2023. Despite a price increase across the Dunhill range in Q4 2023, its market share only saw a slight decline, exhibiting a resilient performance nonetheless.

### RESILIENCE IN THE ASPIRATIONAL PREMIUM SEGMENT

Despite facing down-trading challenges, we remain committed to expanding our leadership in the Share of Segment across all segments.

The Peter Stuyvesant brand maintains stable share performance, even amidst a declining segment trend, leading to a growth in share of segment by 2 percentage points (ppt), despite the implementation of a price increase of RM0.30 in Q3 2023.

### CONTINUOUS GROWTH IN VALUE-FOR-MONEY (VFM) SEGMENT

Our VFM portfolio remained a key growth driver in 2023, registering Share of Market (SOM) increase by 1.7% compared to the previous year.

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

Rothmans continues to spearhead BAT Malaysia's growth in the VFM segment, consistently reinforcing the brand's progressive identity. In 2023, the brand further gained momentum through its brand-building activities, achieving a double-digit market share for the first time in August at 10.1%. Additionally, with a 1.6% growth in its segment share, Rothmans has established itself as the third-largest legal brand in Malaysia.

In Q3 2023, BAT Malaysia launched a new brand, Luckies, to bolster growth in the VFM segment. The brand debuted in August with two Stock Keeping Units (SKUs), Luckies Red and Luckies Blue.

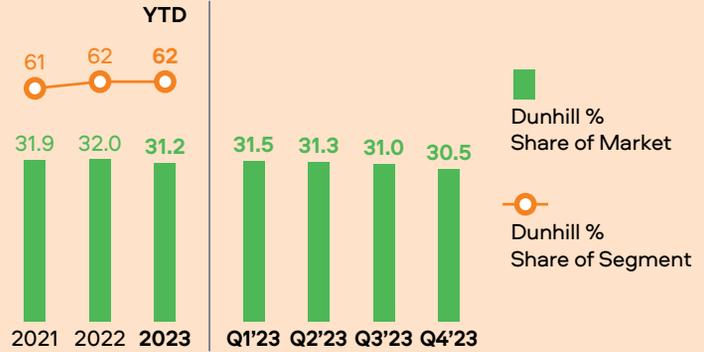
Luckies has had an impressive start, capturing 1.4% of the market share as at 31 December 2023. The brand has received positive consumer feedback regarding its taste, competitive pricing and overall brand imagery.

DRIVE VALUE FROM COMBUSTIBLES



**DUNHILL**

**DUNHILL SHARE PERFORMANCE**



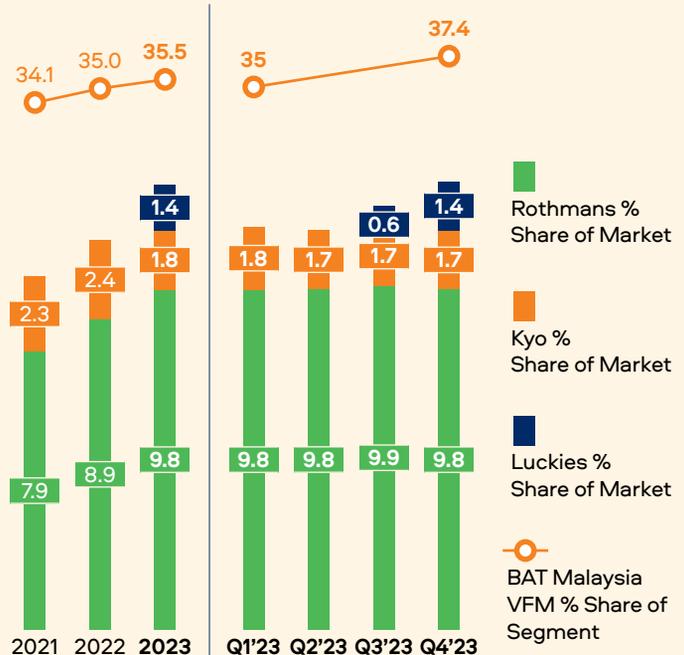
*Peter Stuyvesant*

**PETER STUYVESANT SHARE PERFORMANCE**



*Rothmans*

**ROTHMANS AND LUCKIES SHARE PERFORMANCE**



*Luckies*

## ENSURE A STEP CHANGE IN NEW CATEGORY PERFORMANCE

As part of our commitment to growing our non-combustible portfolio and leading the way in new categories, BAT Malaysia unveiled our flagship vape brand, Vuse, in July 2023, featuring a range of modern, disposable vape devices.

Vuse is the #1 Global Vaping brand<sup>1</sup> trusted by millions worldwide. Vuse is committed to bringing high-quality innovations in technology, flavour and science to the world of vaping. Our latest generation of vaping devices is designed to provide adult smokers and nicotine users with reliable alternative nicotine products across a range of puff counts and flavours. Our dedication to quality encompasses extensive care and research going into our e-liquid formulations and product innovations to ensure purity of ingredients, consistent vapour quality and satisfaction from start to finish. We also

encourage a more sustainable way to dispose of our products via our Vuse Take Back scheme, with Vuse Take Back Stations set up in 36 locations throughout Malaysia.

The Vuse GO range of modern disposable vapes comes pre-filled with e-liquid and a fully-charged lithium-ion polymer battery with 3% nicotine strength. Vuse initially launched in Klang Valley and Penang, Malaysia, in July 2023 with the Vuse GO Max, which boasts up to 1500 puffs<sup>2</sup> and offers a selection of seven flavours. This was followed by the nationwide launch of our flagship range, the Vuse GO 3000, in October 2023, offering an increased puff count of up to 3000 puffs<sup>2</sup> in eight flavours. To continue meeting consumer needs, we expanded our portfolio with the introduction of the Vuse GO 5000 in November 2023, which provides up to 5000 puffs<sup>2</sup> in five flavours.

Vuse products are now available from any of our verified retailers at over 6,600 convenience stores and vape specialist outlets throughout Malaysia and from our authorised online store on Lazada.

In addition, our flagship Tobacco Heated Product (THP) brand, glo™, continues to support our multicategory portfolio expansion by offering adult consumers a reliable product with reduced-risk<sup>†</sup>. To further enhance our THP consumer experience, glo™ introduced a limited-edition gold-white coloured Hyper X2 model in April 2023 while maintaining the availability of our existing range of three Hyper X2 device colours and viio™ tobacco sticks.

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

† Our vapour product Vuse (including Alto, Solo, Ciro, and Vibe), and certain products, including Velo, Grizzly, Kodiak, and Camel Snus, which are sold in the U.S., are subject to FDA regulation and no reduced-risk claims will be made as to these products without agency clearance.

<sup>1</sup> Based on Vuse's estimated value share from the Recommended Retail Price (RRP) in total measured retail for vapour in key vapour markets: the USA, Canada, France, the UK, and Germany as of May 2023.

<sup>2</sup> Based on laboratory testing of newly manufactured products (including recharging), and may vary depending on individual usage behaviour. For further information, see <https://www.vuse.com/my/en/faq>.

### Vuse product range



### Activities supporting Vuse launch



## SIMPLER AND SMARTER ORGANISATION

### EMBRACING DIGITAL TRANSFORMATION

Building on our 2022 Digital Transformation journey, BAT Malaysia has continued in 2023 by driving further initiatives that have allowed us to unlock our plan for a simpler, smarter organisation.

In our unwavering pursuit of organisational efficiency, our digital transformation journey has been centred on simplifying our operations for a faster, more agile business. Through strategic routing and outlet prioritisation, the business has achieved savings exceeding GBP 0.7 million.

Concurrently, with the launch of a cutting-edge Customer Relationship Management (CRM) system, we managed to digitise our Contact Centre, enabling us to efficiently handle our sizeable customer base of over 13 thousand outlets. The CRM system has played a pivotal role in elevating service levels for these customers and reducing more than 35 thousand man-hours.

In addition, we have also introduced an outlet dashboard and delivery incident tracker, thereby further reducing wasted man-hours and enhancing the quality of outlet visitation by our sales representatives. We equip our

representatives with pertinent information to facilitate meaningful and value-driven conversations with our retailers, ultimately delivering value to their consumers. The outlet-specific information empowers our sales team to use insights, giving BAT Malaysia the winning edge in helping our customers reap maximum value from our products and services.

Our digital transformation is core to the sustainability of BAT Malaysia as an organisation and is at the forefront of our Company's Strategy.

#### ▶ Outlet Dashboard and Delivery Incident Tracker:



We process **1.2 million** calls, **10%** of which have issues. This equates to **120,000** calls that require intervention. On average, it takes about 3 minutes per outlet to write an e-mail and complete the follow-up. This requires a total of **360,000** minutes or **6,000** man-hours.



## SIMPLER AND SMARTER ORGANISATION

## OPTIMISING OUR SUPPLY CHAIN



BAT Malaysia's recent transition to a new warehouse marks a significant milestone in the Company's logistical advancement, demonstrating our commitment to sustainable operations and enhanced service capabilities. The new warehouse boasts an impressive expansion in space, increasing from 40,000 square feet to an extensive 64,000 square feet, signifying a strategic shift towards accommodating the evolving demands of our business.

Notably, the warehouse's distinct feature is its incorporation of both bonded and non-bonded areas, emphasising its adaptability to handle a diverse range of products and services. This multifaceted approach aligns seamlessly with BAT Malaysia's vision of establishing a comprehensive logistical infrastructure to support a multicategory business, effectively streamlining our operational efficiency and facilitating smoother business processes.

Moreover, the warehouse is equipped with the latest technology, enabling the Management of value-added services such as repacking and stickering. This

enhances the Company's ability to cater to specific client requirements and ensures swift customisation of products as per market needs. The implementation of Roam Bee technology for temperature and humidity control reinforces the Company's commitment to maintaining optimal storage conditions, preserving the quality of our products and guaranteeing customer satisfaction.

As a testament to our eco-conscious approach, the warehouse operates on solar power and integrates rainwater harvesting systems, reflecting BAT Malaysia's dedication to sustainable practices and reducing our environmental footprint. Furthermore, the strategic selection of a location near the port demonstrates a forward-thinking approach towards minimising transportation-related emissions, contributing to a substantial reduction in carbon footprint and overall environmental impact.

BAT Malaysia's move to the new warehouse is a testament to our unwavering dedication to innovation, sustainability and customer

satisfaction. With its expanded capacity, advanced technological integrations and eco-friendly initiatives, the new facility is poised to propel the Company to greater heights, reinforcing our position as a trailblazer in the industry while setting a commendable example for sustainable business practices in the region.

BAT Malaysia's other notable achievements and key highlights in the supply chain space include:

#### Implemented B2C Model for New Categories

In 2023, we embarked on an exciting journey by introducing a Business-to-Consumer (B2C) model for our Vuse and THP product lines. This strategic move enabled us to directly engage with end consumers, garner valuable insights into their preferences and enhance brand loyalty. The successful implementation of the B2C model has generated new revenue streams and positioned us for growth in the rapidly evolving market.

## SIMPLER AND SMARTER ORGANISATION

**Optimised Transportation via “Milk Run”**

Our commitment to supply chain efficiency continued to yield substantial benefits in 2023. By optimising our transportation strategy, we introduced a “Milk Run” approach, streamlining our delivery process and reducing transportation costs. This method not only decreased our carbon footprint but also improved our on-time delivery performance, bolstering our reputation as a reliable partner for our customers.

**Continued to Import Finished Goods at Full Container Load**

We sustained our commitment to efficient global sourcing by continuing to import our finished goods at full container load. This strategy significantly trims down shipping costs and minimises environmental impact by maximising container capacity utilisation. In line with our commitment to sustainability, we've also leveraged larger containers, reducing emissions per unit of transported goods.

**Adopted Euro 5 Diesel for Transportation**

As part of our ongoing sustainability efforts, we have transitioned to using Euro 5 Diesel for our transportation fleet. This cleaner-burning fuel decreases harmful emissions and aligns with our environmental responsibility initiatives. Our investments in eco-friendly technologies underscore our commitment to reducing our carbon footprint and contributing to a cleaner environment.

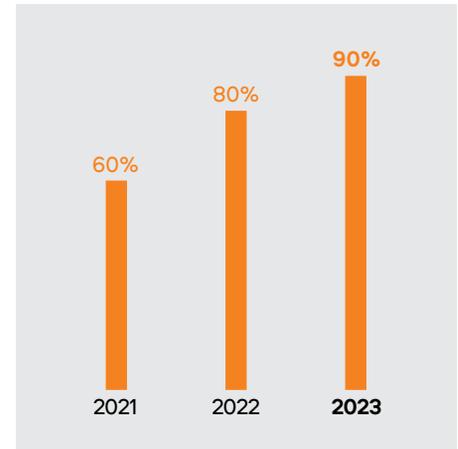
Building on our primary supply chain accomplishments, our secondary supply chain initiatives in 2023 have continued to catalyse innovation and excellence in our operations. These achievements, focused on digitalisation, sustainability and delivery performance, represent significant milestones in our ongoing commitment to delivering remarkable value to our stakeholders.

**Championed Digitalisation via Vantage System – Real-Time Data Performance Insight**

In 2023, we achieved a pivotal milestone in our Route-to-Market operations by implementing the Vantage system. This digitalisation initiative revolutionised our data management and analytics capabilities. By providing real-time data insights, the Vantage system has empowered us to make well-informed decisions swiftly, enhance operational efficiency and respond to market dynamics more effectively. With access to up-to-the-minute information, we can optimise inventory levels, improve demand forecasting and streamline order fulfilment processes.

**Implemented Packaging Optimisation Initiatives – RM1.5 million Annualised Savings**

Our commitment to continuously drive cost efficiency and operational excellence led to the launch of packaging optimisation initiatives in 2023. This effort was not only an environmentally responsible move but also a financially astute one. Through these initiatives, we achieved cost savings of RM1.5 million by altering the packaging configuration, resulting in a 16% cost reduction in overall last-mile packaging spending. We take pride in our contribution to operational efficiency and its positive impact on our bottom line.

**Improved Delivery Performance by 50% in Two Years**

One of our primary objectives was to enhance our delivery performance and we are delighted to report a significant achievement. Over the past two years, we have invested in process improvements, route optimisation and collaboration with our business partners. As a result, we have significantly improved our delivery performance, ensuring that products reach our customers faster and more reliably. This 50% improvement underscores our unwavering commitment to customer satisfaction.

## FINANCE DIRECTOR'S REVIEW

### REVENUE

BAT Malaysia Group's operating environment had been extremely challenging. Whilst a 1% reduction was observed, the tobacco black market incidence continued to be stubbornly high and inflationary pressures had driven consumers to downtrade or consume alternative nicotine products such as vapour. Within the legal cigarette industry, competition had intensified especially within the VFM segment.

BAT Malaysia Group's total market share was 0.5% lower in 2023, mainly attributed to the delisting of the Kent and Pall Mall brands during 2022 as well as the impact of continued downtrading. Total revenue for BAT Malaysia declined by 11% to RM2.31 billion compared to RM2.60 billion in 2022. The decrease was mainly due to a volume decrease of 12.9% when compared to 2022 as a result of the contraction of the legal industry as well as the Group's market share decline. Revenue contribution from New Categories was not material as the Group only entered into New Categories in the latter half of this year. Gross profit margin declined by 1.5% from 26.1% (RM678 million) in 2022 to 24.6% (RM568 million in 2023) owing mainly to lower margins from New Categories.

### COST OF SALES

BAT Malaysia Group's cost of sales decreased by 9.2% (RM175 million) in line with the lower sales of Combustibles which was partially offset by increases due to our entry into New Categories. The Group continued to drive multiple cost optimisation initiatives across its value chain to deliver a competitive product cost, leveraging its robust supply chain model to mitigate the impact of increasing cost pressures arising from higher inflation and the weaker Ringgit.

### OPERATING EXPENSES

In 2023, BAT Malaysia Group's operating expenses increased by 5.0% (RM14 million) to RM289 million, mainly driven by increased marketing expenses for the launch of New Category products partially offset by BAT Malaysia Group's sustained strategy to optimise spending despite operating under increased inflationary pressures.

### RESTRUCTURING EXPENSES

In line with the next phase of our strategy to deliver a fit-for-growth organisation, BAT Malaysia Group incurred restructuring expenses of RM18 million in 2022. The restructuring exercise led to a simplified organisational structure that enabled greater collaboration and effective decision-making and a reduction in the employment cost base in 2023.

### PROFIT FROM OPERATIONS

Profit from operations experienced a considerable decline compared to the prior year, driven by lower contribution from Combustibles as well as BAT Malaysia Group's heightened investments to launch and accelerate New Categories into the market.

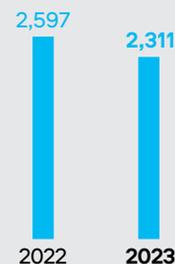
### TAXATION

The average effective tax rate of BAT Malaysia Group for the financial year ended 31 December 2023 was 24%. The decline in the average effective tax rate compared to 2022 was mainly due to the Prosperity Tax that was imposed by the government in 2022.

### DIVIDENDS

Despite the challenging environment, BAT Malaysia Group remained committed to paying dividends at a level above 90% of its earnings. In 2023, BAT Malaysia Group declared four quarterly interim dividends amounting to 63 sen per share, equivalent to a 92% total earnings payout for the year and a dividend yield of 7% based on the average share price in 2023.

### GROSS REVENUE (RM million)



**-11%**

### OPERATING EXPENSES (RM million)



**+5%**

### PROFIT FROM OPERATIONS (RM million)



**-31%**

### CASH CONVERSION (%)



**58%**

## FINANCE DIRECTOR'S REVIEW

**DEBT, DEBT STRUCTURE, WORKING CAPITAL AND LIQUIDITY**

As at 31 December 2023, BAT Malaysia Group had a total debt facility of RM850 million, maintained with several licensed financial institutions in Malaysia. The Group continued to utilise revolving credits and bank overdrafts to support its short-term working capital requirements. This flexible debt structure allowed BAT Malaysia Group to borrow at optimum levels, thereby minimising financing costs and improving interest deductibility. Additionally, BAT Malaysia Group implemented a debt factoring facility to further improve its working capital, providing enhanced flexibility to cater for increased working capital requirements as we invest into New Categories.

At the end of 2023, BAT Malaysia Group had RM543 million of revolving credit and short term loans with tenures ranging from one week to one month, compared to RM695 million in 2022. In 2023, cash from operations recorded an increase of 2.7% (RM13 million) as compared to 2022. The increase in cash from operations was largely attributed to improvements in working capital.

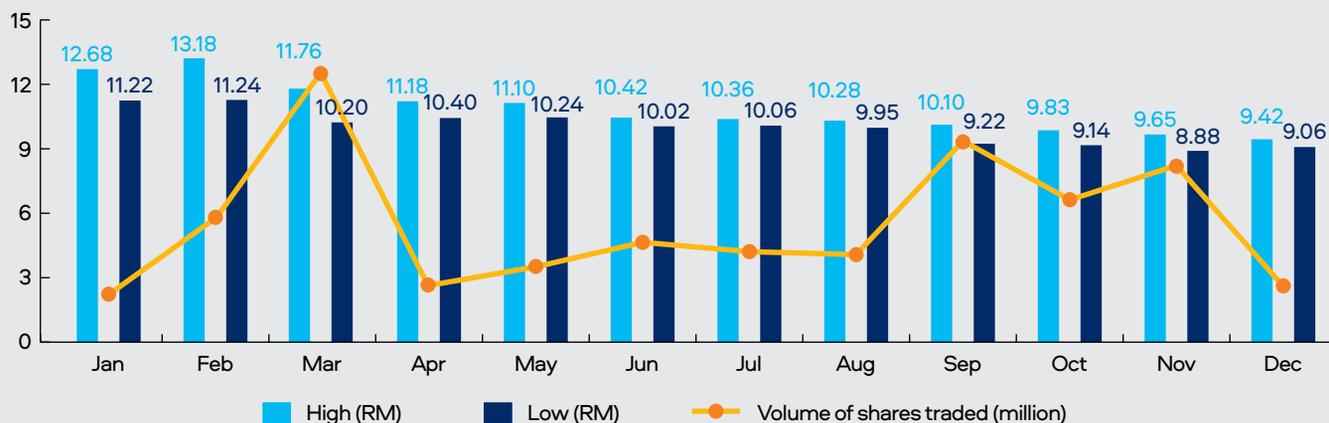
	2023 RM million	2022 RM million
Profit from Operations	281	407
Cash from Operations	496	483
Cash Conversion	177%	119%
Increase/(decrease) in cash and cash equivalents	11	(5)

**TREASURY**

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

**SHAREHOLDERS' RETURN**

The share price of BAT Malaysia was mainly impacted by external factors such as the tobacco black market and the uncertainties surrounding the tobacco regulatory landscape. The share price saw a downward slide during the year following intensified dialogues and press releases regarding the potential tightening of tobacco regulations. Market capitalisation for the Group closed at RM2.6 billion in 2023. The annual dividend yield that the Group generated was estimated at 7%. BAT Malaysia Group continues to ensure that shareholders' return is maximised through our A Better Tomorrow™ strategy and growing into a multicategory business.

**BAT MALAYSIA SHARE PERFORMANCE 2023**

## FINANCE DIRECTOR'S REVIEW

Share Performance	2017	2018	2019	2020	2021	2022	2023
Net Dividends	1.69	1.55	1.18	0.83	0.98	0.88	<b>0.63</b>
Capital Gain/Loss	(4.18)	(3.92)	(21.00)	(1.00)	(0.10)	(2.76)	<b>(1.93)</b>
Annual Shareholders' Return	(2.49)	(2.37)	(19.82)	(0.17)	0.88	(1.88)	<b>(1.30)</b>

## OUTLOOK

BAT Malaysia Group will continue to focus on driving its ambition of A Better Tomorrow™ in 2024. As we move into an economic environment that will see growth moderate, we are cognisant that consumer spending power will be affected. Similarly, BAT Malaysia Group will be impacted by higher inflation and as such, we will continue to be diligent in optimising operational costs.

Against this backdrop, BAT Malaysia Group is optimistic of achieving a steady financial performance for the coming year. BAT Malaysia Group firmly believes that tobacco harm reduction strategies are crucial to reducing the health impact of its business. In 2024, BAT Malaysia Group will focus on growing the market share of Vuse, which represents BAT Malaysia Group's efforts to offer reduced-risk<sup>†</sup> alternatives to adult smokers.

BAT Malaysia Group is supportive of the Control of Smoking Products for Public Health Bill 2023, which was passed during the Parliament session in December 2023. As the Government develops the regulatory framework for tobacco and vapour products under this new law, BAT Malaysia Group reiterates that any regulations introduced must be sensible and evidence-based for all stakeholders to ensure that it can be enforced effectively and deliver its intended objectives, without fuelling the growth of the tobacco black market.

The tobacco black market incidence in Malaysia remained persistently high at 55.6% for 2023. With the measures announced by the Government during the tabling of the Budget 2024, BAT Malaysia Group believes that it will further strengthen efforts to combat the tobacco black market and help recover revenue leakages for the Government.

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

† Our vapour product Vuse (including Alto, Solo, Ciro, and Vibe), and certain products, including Velo, Grizzly, Kodiak, and Camel Snus, which are sold in the U.S., are subject to FDA regulation and no reduced-risk claims will be made as to these products without agency clearance.

## FIVE-YEAR PERFORMANCE HISTORY



## FINANCE DIRECTOR'S REVIEW

## FIVE-YEAR PERFORMANCE HIGHLIGHTS

## 2019

The tobacco landscape evolved significantly with the emergence and challenge of illegal vaping and continuous high levels of the tobacco black market. A year after the change of government, BAT Malaysia Group did not see any significant action taken to address illegal tobacco as well as affordability issues. As a result, the legal tobacco industry was greatly impacted, with BAT Malaysia Group registering a 25% decline in its operating profit. BAT Malaysia Group undertook aggressive cost rationalisation and restructuring measures to achieve a sustainable cost base and profitability level for the future. However, urgent structural reform was needed in order to secure a sustainable tobacco framework for the industry and legal tobacco companies.

## 2020

This was an unprecedented year marked by the COVID-19 global pandemic. The tobacco black market and illegal vaping incidences continued to be high at 70% of the total nicotine market. Despite these external challenges, BAT Malaysia Group was resilient and showed strong signs of recovery quarter-on-quarter. Dunhill, our flagship brand, gained share of segment, increasing by 2.2% points. During the year, BAT Malaysia Group extended its portfolio with the launch of KYO in the VFM segment to capture a fair share of down traders. KYO's performance was encouraging with a 2.8% share of the market, achieved within two months of launch. With this new addition to BAT Malaysia Group's portfolio, the corporate share of the market increased by 1.1 percentage points versus 2019 to 51.7%. It was encouraging to see the government's efforts in setting regulations and enforcement in curbing illegal cigarettes via the Budget 2021 announcement.

## 2021

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

## 2022

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

## 2023

The legal cigarette industry was impacted by external pressures affecting consumption. The tobacco black market incidence remained high at 55.6% and the legal market experienced downtrading alongside lower consumption as the trend of consumers opting for lower risk products continued. Within this environment, Dunhill remained resilient. BAT Malaysia Group launched Luckies during the year to better compete in the VFM segment. Upon the legalisation of vapour products earlier this year, BAT Malaysia Group was swift to expand into this segment of nicotine consumers by launching Vuse. This inaugural moment for BAT Malaysia presented far-reaching opportunities to BAT Malaysia Group as we transformed into a multicategory business. During the second half of the year, multiple formats of Vuse were introduced in order to cater to the varying tastes and needs of vapour consumers. We are encouraged by the initial performance and will continue to invest to grow Vuse. BAT Malaysia Group continues to urge the Government to implement science-based regulations to regulate the vapour market.

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

† Our vapour product Vuse (including Alto, Solo, Ciro, and Vibe), and certain products, including Velo, Grizzly, Kodiak, and Camel Snus, which are sold in the U.S., are subject to FDA regulation and no reduced-risk claims will be made as to these products without agency clearance.



# SUSTAINABILITY

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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.

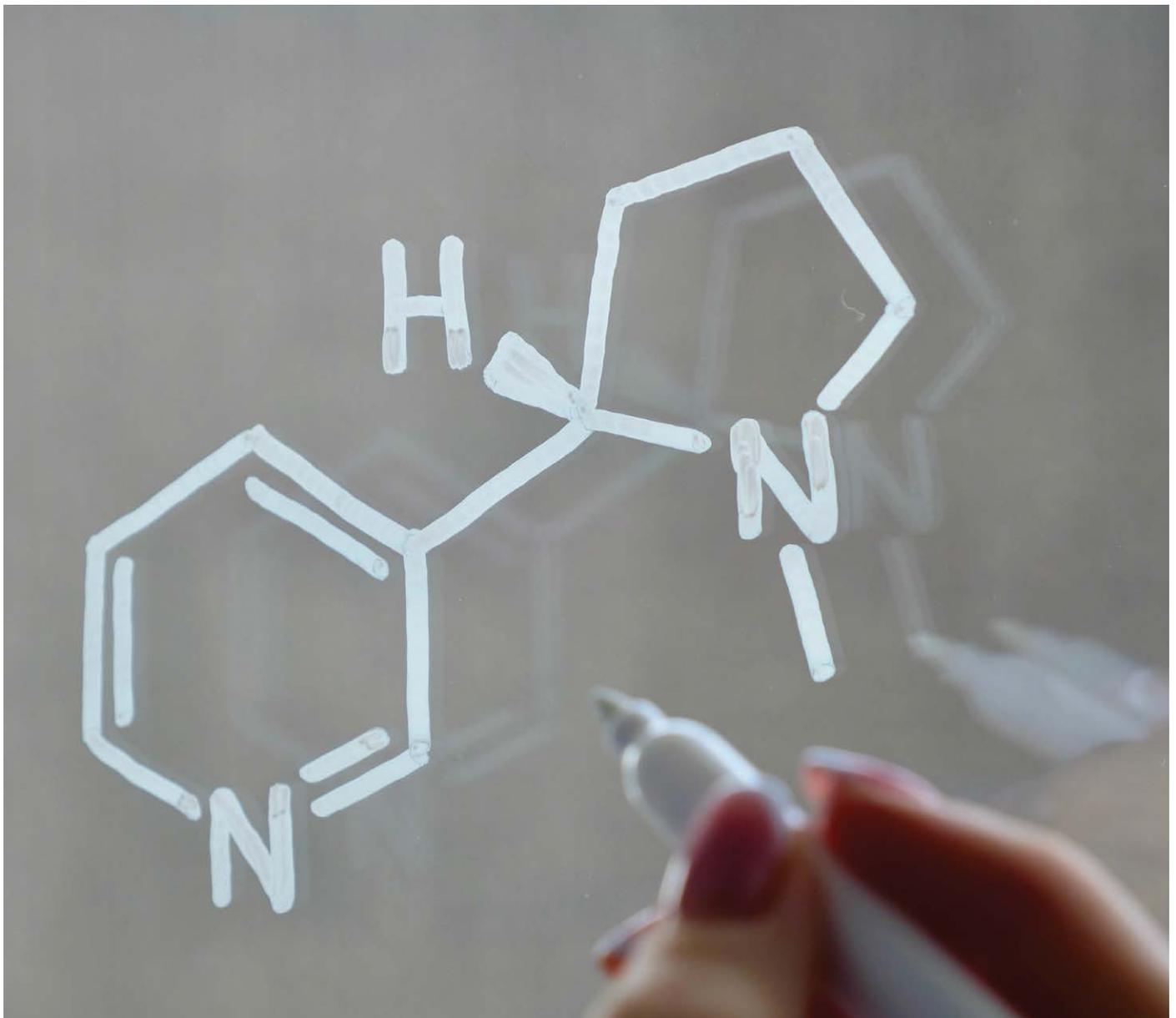
- 50** Tobacco Harm Reduction
- 52** Environment
  - Climate Change and Energy
  - Circular Economy
  - Water
  - Task Force on Climate-related Financial Disclosures (TCFD)
- 65** Social
  - People, Diversity and Culture
  - Human Rights
  - Employee Health and Safety
  - Communities, Social Impact and Well-being
- 86** Governance
  - Ethics and Integrity
  - Responsible Marketing and Compliance
  - Sustainability Governance

## TOBACCO HARM REDUCTION

**H**

The BAT Group has a clear purpose: to build A Better Tomorrow™ by reducing the health impact of its business. This commitment drives the BAT Group to provide adult smokers with scientifically-substantiated reduced-risk<sup>†</sup> alternatives, backed by science and tested to meet or exceed industry-leading standards.

Below, we outline BAT Malaysia's approach to addressing one of our principal material matters: Tobacco Harm Reduction in alignment with the BAT Group's strategy.



## TOBACCO HARM REDUCTION



## Tobacco Harm Reduction

We know combustible tobacco products pose serious health risks. The only way to avoid these risks is either not to start smoking or to quit. Yet more than 1.3 billion people today continue to smoke<sup>1</sup>.

Tobacco Harm Reduction, a well-recognised public health strategy, aims to minimise the harm caused by combustible cigarettes. This strategy encourages adult smokers, who would otherwise continue to smoke, to completely switch to scientifically substantiated reduced-risk<sup>†</sup> alternatives.

### ▶ BAT Malaysia's Approach

Tobacco Harm Reduction remains a key pillar in BAT Malaysia's sustainability strategy and its significance to stakeholders made clear through the Double Materiality Assessment (DMA) conducted, which identified it as a principal focus area. BAT Malaysia's approach to reducing the health impact of its business is aligned with the BAT Group's Tobacco Harm Reduction strategy.

The Key Enablers for Tobacco Harm Reduction are:



#### Consumer Choice

Adult smokers are most likely to switch to reduced-risk<sup>†</sup> alternatives when they find products that meet their preferences. This is why the BAT Group is committed to offering a multicategory portfolio of New Category products tailored to meet their preferences.



#### World-class Science and Due Diligence

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, research and development (R&D) has been a critical part of the business and the BAT Group has invested more than £300 million a year in R&D to deliver innovations that satisfy consumer preference.



#### Standards and Regulations

Access and availability of reduced-risk<sup>†</sup> products depend on having the right regulatory and market conditions along with high standards and responsible industry practices. We support the development and implementation of coherent and proportionate regulations and standards for New Category products, based on scientific evidence.

### ▶ BAT Malaysia's Goals and Targets

The BAT Group has set targets to migrate its consumers of combustible tobacco products to reduced-risk<sup>†</sup> alternatives, which it is on track to achieve. BAT Malaysia will contribute to the delivery of the Group's targets of achieving £5 billion in revenue from New Category products by 2025 and 50 million new category consumers of by 2030. We will also continue to raise industry standards for Vapour products within a regulated marketplace in Malaysia and support the establishment of appropriate regulations for reduced-risk<sup>†</sup> New Category products.

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

† Our Vapour product Vuse (including Alto, Solo, Ciro, and Vibe), and certain products, including Velo, Grizzly, Kodiak, and Camel Snus, which are sold in the U.S., are subject to FDA regulation and no reduced-risk claims will be made as to these products without agency clearance.

<sup>1</sup> WHO: Tobacco, Key Facts. May 24 2022 (who.int).

### 2023 HIGHLIGHTS

With the Government legalising Vapour products in 2023, we launched Vuse GO in Malaysia in August.

## ENVIRONMENT

### E

BAT Malaysia is committed to reducing the environmental impact of our business operations and transitioning to a low-carbon portfolio. Our approach to managing environmental impacts is clearly defined in accordance with the principles of Malaysia's Environmental Quality Act 1974 and BAT Group's Environment Policy (refer page 122). The policy has been adopted by BAT Malaysia and implemented through an Environmental Management System that is benchmarked against international standards such as the ISO14001.



## ENVIRONMENT



## Climate Change and Energy

BAT Malaysia relies on natural resources to run our business and our ability to secure these resources is directly linked to the effects of climate change. We understand our responsibility to the planet and the communities around us, which is why we prioritise reducing the carbon footprint of our business by way of performance goals and targets. Minimising impacts across our value chain and reducing our carbon footprint is simply the right thing to do - and makes sound business sense.

### ▶ BAT Malaysia's Approach

By addressing climate risks and opportunities across its value chain, BAT Malaysia can better support the long-term sustainability of its business, the planet and wider society.

Our approach to climate change, while aligned to the BAT Group's, has been localised to ensure we are meeting the priorities of our stakeholders and addressing issues most relevant to Malaysia. Climate Change is a principal material topic for BAT Malaysia and we have developed a glidepath of year-on-year targets that will contribute to reducing our impact on the environment. We drive several initiatives to ensure delivery of our targets, which are discussed under the highlights for 2023.

All the data on 2023 and earlier years performance reported here are from the BAT Group's Environmental reporting database.

### ▶ BAT Malaysia's Goals and Targets

Key Performance Indicator	Baseline Number	2023 Target
Carbon Neutral direct operations (scope 1 & 2 emissions) by 2030.	1,940 tCO <sub>2</sub> e	-50%
50% renewable energy by 2030.	0.2%	20%

2023  
HIGHLIGHTS

**752 tCO<sub>2</sub>e**  
Total Emissions (Scope 1 & 2 only)

**61%** Emission Reduction (Vs. 2020 Baseline)

BAT Malaysia has established an ambition and targets to reduce its carbon emissions and is aligned to BAT Group's target of 50% reduction in Scope 1 and 2 CO<sub>2</sub>e emissions by 2030 vs. the 2020 baseline. We have established several programmes and initiatives to reduce our carbon emissions throughout our business. In the reporting year we continued energy efficiency programmes as well as the adoption of renewable energy sources.

**752**

(tCO<sub>2</sub>e)

#### SCOPE 1 EMISSIONS

(Direct carbon emissions from our vehicle fleet and fuels used by our facilities)

**0**

(tCO<sub>2</sub>e)

#### SCOPE 2 (MARKET-BASED) EMISSIONS

(Indirect emissions from purchased electricity and heating)

**2,172**

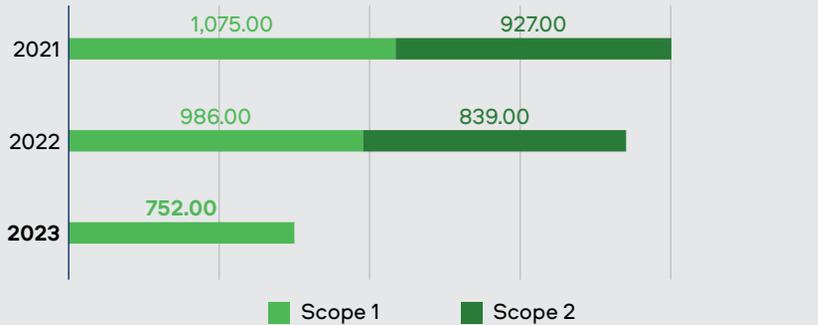
(tCO<sub>2</sub>e)

#### SCOPE 3 EMISSIONS

Emission data for Scope 3 is not available for BAT Malaysia only. The figure reported here includes business travel and employee commuting at country level. Furthermore, due to the complexity of consolidating and assuring Scope 3 data, the BAT Group reports Scope 3 a year later. Therefore, the figure reported here is for 2022.

ENVIRONMENT

**Total Scope 1 and 2 GHG Emissions (tCO<sub>2</sub>e)**



**Commercial**

Commercial sites include our Head Office at Guoco Tower, our Commercial Marketeers and Distributors (CMD) offices and our warehouse.

**Factory Operations**

Our factory is situated in Johor Bahru where we manufacture 3 Stock Keeping Units (SKUs).

**Scope 1** emissions reduced by 30% in 2023 compared to the previous reporting year. Scope 1 encompasses emissions from the fuel consumed by our fleet vehicles. We do not use any fuels for energy generation on site either at our factory in Johor Bahru, or at any of the offices.

**Fleet Fuel Consumption (MWh)**



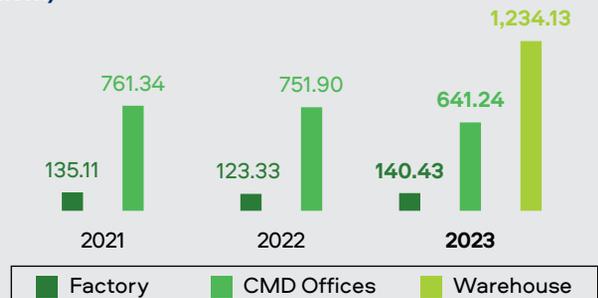
In 2023, we completed converting 73% of our fleet to hybrid vehicles. Furthermore, the use of telematics system allows the Company to monitor driving behavior, which promotes fuel efficiency contributing to reduction of our fleet related emissions. It is in our plans to convert our fleet to electric vehicles (EV) once the infrastructure to support EVs is established in the country. We are also currently working with our energy partner to offset our fleet-related emissions through a Carbon Credit programme.

**Scope 2** includes emissions from our indirect energy use, which is the electricity consumed at our factory, CMD offices and warehouse. In 2023, total electricity consumption by BAT Malaysia increased to 1,875 MWh as a result of the addition of the new warehouse which came into operation in July.

**Total Electricity Consumption\* (MWh)**



**Electricity Consumption By Location (MWh)**



\* Electricity consumption figure for 2023 includes the consumption at our new warehouse in Pulau Indah which now comes under BAT Malaysia's scope 2.

## ENVIRONMENT

During the reporting year, electricity usage at our factory increased as a result of production increasing by 19%, as we started producing a new brand of cigarettes for export. Furthermore, the factory also underwent renovations in 2023, which resulted in higher electricity consumption.

Electricity usage reduced by 14% at our CMD offices as we further streamlined the number of site offices operated. In addition to this we also introduced energy efficient LED lighting at the new site offices, which contributed to this reduction. Our Head Office in Kuala Lumpur is situated in a LEED (Leadership in Energy and Environmental Design) certified building listed in the Green Building Index for Malaysia.

In 2023, BAT Malaysia moved to a new warehouse in Pulau Indah, which was twice the size (64,000 sq.ft.) of the former warehouse in Bangi. The previous warehouse was not included in our Scope 2 emission as it was a 3<sup>rd</sup> party operated process. With the addition of the new warehouse, we have experienced a ~1,200 MWh increase in grid electricity consumption. In an effort to reduce the impact on our Scope 1 and 2 emissions, we have installed a solar power system, which when in operation, is expected to generate around 500 MWh of renewable energy. The system is expected to be fully operational in the second half of 2024.

In the reporting year BAT Malaysia purchased and retired 1,196 MWh of I-RECs against its Scope 2 emissions ensuring that 100% of electricity consumed for its operations is generated from renewable sources. Therefore, BAT Malaysia reports zero Scope 2 emissions in 2023.

Our factory continues to be certified PAS2060 for Scope 1 and Scope 2. PAS2060 is a Carbon Neutrality disclosure system followed by BAT Malaysia.

## RENEWABLE ENERGY

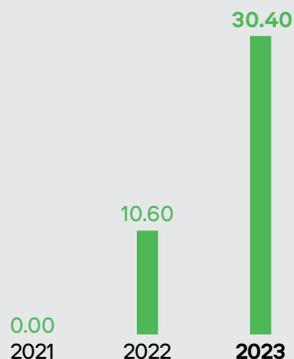
**92.7 MWh**  
Solar Energy Generated

**30%**  
Renewable Energy Generated

Adoption of renewable energy sources in our operations is a key element in our strategy to continuously reduce our carbon emissions. It is a part of our glidepath to contribute towards the BAT Group's target of 50% reduction in Scopes 1 and 2 vs. 2020 baseline by 2030. As phase one, we commissioned the solar power system at the Johor Bahru factory in 2022. Upon completion of one year of operations, this system has helped us to reduce our emissions at the factory. In 2023, the system generated 92.7 MWh of renewable energy.

In 2023, 30% of the energy we consumed came from renewable sources enabling us to achieve the target set for the year. We are pleased to note that we have commissioned a 500 MWh capacity solar power system at our new warehouse in Pulau Indah, which is expected to add to our renewable energy production from the second half of 2024 onwards.

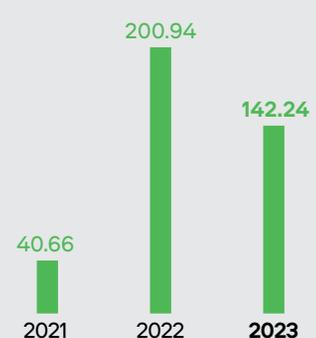
**Renewable Energy Consumption  
(Percentage)**



**Direct Energy Consumption  
(Thousand Gigajoules)**



**Energy Intensity  
(Gigajoules Per Million Cigarettes)**



## ENVIRONMENT



## Circular Economy

BAT Malaysia has made it our responsibility to reduce the consumption of finite resources and work towards a circular economy. As part of our sustainability agenda, we are committed to using fewer resources, creating less waste, enable reuse and recycling and manage our waste in a responsible manner.

Discarded plastics and other waste have a negative impact on the environment such as clogging up water ways and causing flooding in Malaysia. Consumers are increasingly interested in products' environmental footprints. Our transformation into a multicategory business with New Categories brings additional challenges – products with different environmental impacts and changes to resource use.

### ▶ BAT Malaysia's Approach

Our approach to circular economy while aligned to BAT Group's strategy and approach has been localized to ensure we meet the priorities of our stakeholders.

Circular Economy is a priority material topic for BAT Malaysia. We have developed a glidepath of targets to minimize our waste and improve recycling while implementing measures to reduce the impact of our products at end of life. These measures will support achieving the BAT Group's goals and targets and ensure we deliver on our commitment to stakeholders.

These targets and our performance against them, as well as the measures we have put in place to enhance circularity are discussed below. All data reported here are from BAT Group's Environmental reporting database.

### ▶ BAT Malaysia's Goals and Targets

Key Performance Indicator	Baseline Number	2023 Target
Vuse GO device Take-Back Scheme (TBS) implemented.	N/A	<b>Implemented</b>
25% reduction in waste generation by 2025.	72.61 tonnes	<b>15%</b>
90% recycling rate of waste generated by 2025.	98%*	<b>85%</b>
Zero Waste to Landfill by 2025.	1 tonne	<b>0 tonnes</b>

\* No 2017 baseline for Johor Bahru factory as it was opened in 2018. This target is based on baseline for Commercial.

**2023  
HIGHLIGHTS**

**49%**

Reduction in Waste Generated (Vs. 2017 Baseline)

**83%**

Recycling Rate

**<1%**

Waste To Landfill

BAT Malaysia has established year-on-year targets to support achieving our circular economy goals. In 2023, we completed several initiatives bringing us closer to our circularity ambitions.

In the year, we further reduced our waste generated by 49% compared to the baseline in 2017. In 2023, <1% of BAT Malaysia's waste was sent to landfill, which did not meet the target of Zero Waste To Landfill. Total waste generated went up to 3713 tonnes, which is attributed to the increase in our production as well as the renovation activities that took place at the Johor Bahru factory.

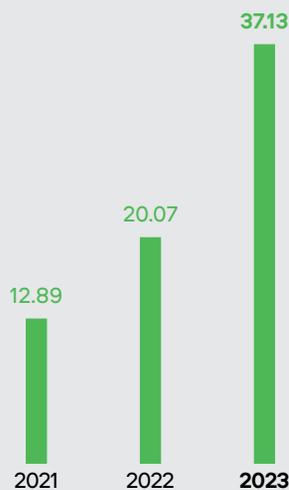
## ENVIRONMENT

During the reporting year we recycled 83% (30.66 tonnes) of our total waste generated and improved compared to the previous reporting cycle though falling short of the target of 85% set for the year. At our Johor Bahru factory we implemented a programme to recycle 100% of our tobacco waste into bricks, which are used as construction material. In 2023, we converted 4.69 tonnes of tobacco waste to produce ~28,000 bricks.

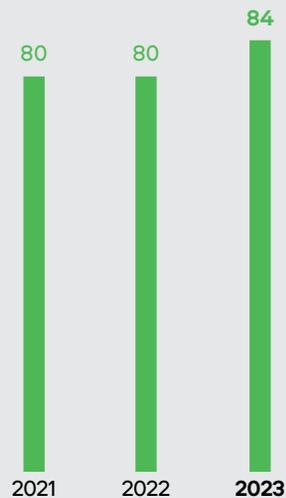
6.11 tonnes of waste was sent for incineration by a Department of Environment (DoE) approved service provider. Our paper and cardboard waste which was previously being incinerated has been redirected for recycling from September onwards after we identified a suitable service provider.

We have complied with all applicable environmental regulations set by DoE, including the appointment of licensed contractors certified to dispose our hazardous waste. We recorded no fines or non-monetary sanctions for non-compliance with environmental law/regulations related to waste management.

**Waste Generated  
(Tonnes)**



**Waste Recycling Rate  
(Percentage)**



Fostering a circular economy has been a priority for BAT Malaysia and we have focused our attention on increasing recyclability of our product packaging as well as implementing the New Category device Take-Back Scheme.

We launched a project in 2023, to convert the inner foil wrapper in our Benson and Hedges package into recyclable paper.

As we transform into a multicategory market with the launch of glo™ and Vuse GO we ensured that a device Take-Back Scheme was implemented simultaneously so that consumers can return their used devices in a safe manner, which can then be collected and recycled appropriately. 36 collection points have been introduced thus far.

ENVIRONMENT

 **Water**

Good water management is vital to running efficient operations. We recognise it is both our responsibility to the environment and good business practice to use water efficiently and wisely. As part of our sustainability agenda, we have committed to continuously reduce the quantity of water withdrawn from the environment by ensuring we enhance water efficiency measures across our operations and improve water recycling.

**BAT Malaysia's Approach**

As water scarcity risks increase with the changing climate, BAT Malaysia is working to drive water efficiencies across its operations.

BAT Malaysia has set targets to reduce its water withdrawn in line with BAT Group's aim to reduce the total amount of water withdrawn for its own operations by 35% by 2025.

Our Johor Bahru factory is not situated in a water-stressed area and our operations have minimal impact on 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.

Based on the Double Materiality Assessment carried out in 2023, water is a priority material topic for BAT Malaysia and we continue to implement measures to manage it wisely for the betterment of our environment and communities. Our performance in 2023 has been discussed below. All data reported here are from BAT Group's Environmental reporting database.

**BAT Group Goals and Targets**

Key Performance Indicator	Baseline Number	2023 Target
35% reduction in water withdrawn by 2025 vs. 2017 baseline.	7,111m <sup>3</sup>	10%

**2023 HIGHLIGHTS**

**83%**  
Reduction in Water Withdrawn (Vs. 2017 Baseline)

**11m<sup>3</sup> Per Million Cigarettes**  
Water Intensity

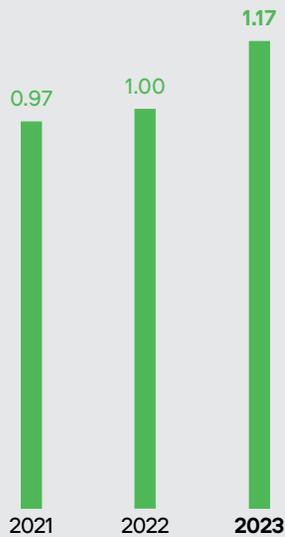
## ENVIRONMENT

Our operations mostly consume water supplied by local municipality, except for the factory in Johor Bahru, which also utilises rainwater collected through the harvesting system installed in 2021. Our water conservation initiatives focus on reducing water losses by identifying and fixing all leakages.

In 2023, our total water withdrawn was 1,117m<sup>3</sup>, which was 83% lower than the baseline of 2017 but a 17% increase compared to 2022. Water withdrawn at the Johor Bahru factory went up vs. the previous reporting year, due to increased man hours in production and renovation work carried out. The factory does not use water for main manufacturing processes and water consumption is mainly for cleaning, drinking and hygiene purposes.

To minimise the environmental impact of our operations, we ensure that our wastewater is discharged via public wastewater discharge systems and local municipal facilities, in compliance with local regulatory requirements.

**Water Withdrawn**  
(Thousand Cubic Metres)



**Water Intensity**  
(Cubic Metres Per Million Cigarettes)



## Task Force on Climate-related Financial Disclosures (TCFD)

Aligning with the BAT Group, BAT Malaysia in its FY2023 has provided more comprehensive reporting disclosures on the material topic of climate change.

BAT Malaysia's business model and operations are potentially (at varying levels of severity and likelihood) to be exposed to physical and transitional climate related risks. However, climate change also presents opportunities for BAT Malaysia to drive further cost and productivity efficiencies. BAT Malaysia views climate change as a topic that is material from both financial materiality and impact materiality perspectives.

BAT Malaysia continues to adopt and implement the strategic initiatives of the BAT Group, aligning to its TCFD framework and Low Carbon Transition Plan (LCTP). In addition, BAT Malaysia considers its unique business and operational context in developing a measured and effective approach to mitigating and managing climate related risks as well as leveraging emerging opportunities.

FY2023's TCFD disclosures mark a clear distinction between the previous year's, in which the information provided has been tailored to the business model and strategy of BAT Malaysia. However, where there is congruence in strategic approach, (particularly in regard to governance matters and the decarbonisation agenda), BAT Malaysia has continued to leverage the BAT Group's approach to managing climate change risks and related matters.



### GOVERNANCE

#### SPECIFIC RECOMMENDATIONS

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

#### ORGANISATION'S ADOPTION OF RECOMMENDATIONS

BAT Malaysia's Board plays an active role in setting direction and objectives for the climate change agenda, including monitoring progress and providing recommendations on how BAT Malaysia can best achieve its targets.

Climate related matters such as energy consumption and emissions data and progress made on our decarbonisation journey are reported to the Board on a quarterly basis (mostly during Board meetings). Such information is presented to the Board at least seven working days prior to the said meeting towards enabling each Board member to have sufficient time to review information and to be optimally prepared to deliberate on information presented and to pose questions to Management.

In terms of the specific reporting mechanism, sustainability at BAT Malaysia is governed by a Sustainability Committee (SC) which is chaired by an Independent Non-Executive Director (INED), Norliza Kamaruddin. The SC oversees BAT Malaysia's sustainability agenda covering all material topics including climate change. The Chief Sustainability Officer provides quarterly reports to the Sustainability Committee.

Apart from Norliza Kamaruddin, the SC is composed of fellow Non-Executive Director, Datuk Christine Lee Oi Kuan and BAT Malaysia's Managing Director Nedal Salem. The participation of both the Non-Executive Directors and the Executive Director ensures balanced views and decision making with both sustainability and business concerns being given due consideration towards achieving a strategic path for the sustainability of the business. The profiles of each SC Member, detailing their professional qualifications and competencies as well as experience is provided on pages 95 to 101 of this report.

The SC receives information, including climate change related information from the Chief Sustainability Officer (CSO) on a quarterly basis. The SC then presents material information to the full Board. The SC may recommend / invite the CSO to participate / present to the full Board.

The Board and the SC, together with the dedicated Board Risk Management Committee consider physical and transitional climate risks. Progressively, these risks are being integrated into the mainstream risk management and mitigation approach of BAT Malaysia.

## ENVIRONMENT

The identification of risks, assessment and allocation of weightage is based on the following criteria: extent of impact or severity, likelihood of occurrence and time considerations i.e. short-term (<2 years), medium-term (2 to 10 years) and long-term (>10 years) timeframes. The integration of climate risks as well as development of management, mitigation plans and collection of related data and information come under the purview of BAT Malaysia's Management. Please see below section for more information.

The Terms of Reference (TOR) for each Board Committee including the SC and the Risk Management Committee along with their roles and responsibilities can be found at [www.batmalaysia.com](http://www.batmalaysia.com).

See page 91: Sustainability Governance Structure for specific information on our approach to governance of sustainability material matters, including climate change. Information on the governance structure of the Risk Management Committee is available on pages 125 to 132.

#### SPECIFIC RECOMMENDATIONS

**Describe Management's role in assessing and managing climate-related risks and opportunities.**

#### ORGANISATION'S ADOPTION OF RECOMMENDATIONS

BAT Malaysia's management supports the Board in driving climate change and all sustainability matters. BAT Malaysia's management include the CSO, the Operations Sustainability Manager and the Leadership Team which is made up of the heads of business functions. The participation of representative from various business functions such as Human Resources, Operations, Supply Chain ensures a cross-functional approach to driving and addressing material sustainability matters including climate change. Management's role and presence is further reinforced with the participation of the Managing Director within the SC.

The role of management goes beyond developing data systems and ensuring effective and accurate data collection and includes developing and executing strategic plans based on the BAT Group's LCTP. While drawing from the detailed financial modelling of BAT Group (to understand the timing and materiality of key risks and opportunities including climate related risks and opportunities), Management is also developing its own approach in response to local business and operational context. These include establishing emission reduction targets based on specific glide paths based towards achieving carbon neutrality and Net Zero. Management is tasked with driving progress in realising the following specific goals and targets:

- Net Zero GHG Emissions by 2050
- 50% reduction in Scopes 1 and 2 GHG Emissions by 2030 (vs. 2020 baseline)
- 50% reduction in Scope 3 GHG Emissions by 2030 (vs. 2020 baseline)

At an operational level, Management's role is to implement measures such as closer monitoring of energy consumption, developing cost-benefit ratios and analysing the transition to solar and switching to more energy efficient machinery and equipment.

The completion of the solar panel installation at the BAT Malaysia manufacturing facility and the new warehouse are two of the many management driven operational plans in relation to climate change. Please refer to page 55 for more information on the solar panel implementation. Management keeps the SC abreast of these measures through quarterly updates and makes recommendations on plans going forward.



## Task Force on Climate-related Financial Disclosures (TCFD)



### STRATEGY

#### SPECIFIC RECOMMENDATIONS

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

#### ORGANISATION'S ADOPTION OF RECOMMENDATIONS

BAT Malaysia's climate-related risk and opportunities are based on the findings of BAT Group and the local business and operational context.

The BAT Group has aligned its climate scenario analysis to the IPCC methodology specifically considering three climate scenarios:

- 1.5°C 'Sustainable Transition'
- 2°C 'Delayed Transition'
- 3-4°C 'Climate Inaction'

These were used to model relevant risks and opportunities for the BAT Group.

Leveraging both global information as well as understanding of local business and operational context, BAT Malaysia has identified its climate change risks and opportunities as follows:

#### CLIMATE CHANGE: PHYSICAL RISKS:

- Flash flood occurrences with increasing frequency and severity which could potentially impacts business operations as well as supply chains. The issue of flash flooding is likely to be exacerbated by poor drainage which could impact the operations of factories and distribution centres.
- Factory operations could also be disrupted, impacting production and delaying product shipments. Other associated risks or impacts include losses due to damaged goods or alternatively higher insurance premiums due to increased flooding risks.
- Flash floods could impact logistical capability as roads, rail and other transportation infrastructure are disrupted due to serious flooding. This may potentially impact the distribution and availability of products in the market.
- Inclement weather may also impact sales and marketing activities, notably the ability to conduct direct sales activities.

#### CLIMATE CHANGE: TRANSITIONAL RISKS:

- BAT Malaysia's transitional risks mainly arise from the BAT Group's ongoing transition to solar energy use. The potential risk arises from lower-than-expected return on investments made such as a lower rate of costs savings from using solar as compared to grid derived electricity.
- Similarly, the same consideration applies to any transitional measures such as investments made into energy savings systems and moving to hybrid vehicles as opposed to continued use of fossil fuel powered vehicles for the organisation's fleet.
- Given BAT Malaysia's financial position, risks associated to financing renewable energy and decarbonisation projects are negligible.
- It is imperative that budgeting to finance the ongoing solar transition take into account a large range of external factors. These include factors beyond BAT Malaysia's control such as the rising prices of solar panels, which has increased significantly in recent years due to growing demand and supply issues.
- Funds allocated for solar transition may lead to an opportunity cost as the monies could have been invested into other commercial strategies that may have generated a faster and higher rate of return. These include new product development, expansion of the marketing arm, investments in digital technologies or strengthening the supply chain.
- Other identified risks include failure to adequately manage supply chain risks associated with transitional and operational impacts of climate change may cause increased volatility in supply volume, quality or cost of raw materials and services across its value chain.
- Other risks include exclusion from international ESG indices such as FTSE Russell for lack of robust climate change disclosures.

BAT Malaysia aims to develop financial estimates for potential losses in the event of a physical / transitional risk occurring going forward. Cost estimations would encompass necessary provisions as well as impairments to mitigate against the aforementioned risks.

## ENVIRONMENT

**CLIMATE CHANGE OPPORTUNITIES:**

- With rising energy prices, notably electricity pricing for industrial and commercial consumers, BAT Malaysia's ongoing transition to solar energy, can reduce or insulate its exposure to rising energy costs. Please see the Metrics and Targets section of this TCFD Framework for specific information.
- The organisation can participate in carbon offset trading mechanisms to retire fugitive or unavoidable emissions, which would reduce exposure to any potential carbon tax implementation going forward.

**RISKS****SPECIFIC RECOMMENDATIONS**

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

**ORGANISATION'S ADOPTION OF RECOMMENDATIONS**

Identification of risks initially draws from BAT Group's approach.

The BAT Group's approach provides a broad direction for BAT organisations to then develop more localised, organisation specific risk identification. Considerations for risk identification is based on developing robust perspectives on how climate change could/would impact the business model (i.e. business operations, assets, facilities, employees), supply chains, raw materials as well as consumer markets.

**SPECIFIC RECOMMENDATIONS**

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

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

**ORGANISATION'S ADOPTION OF RECOMMENDATIONS**

BAT Malaysia maintains a Risk Register, which is reviewed and updated regularly based on the severity and likelihood of risks events. Increasingly, climate change and related matters have been integrated into the Risk Register.

The approach to risk management is to leverage existing frameworks, internal processes and controls and to progressively develop oversight of climate change physical and transitional risks.

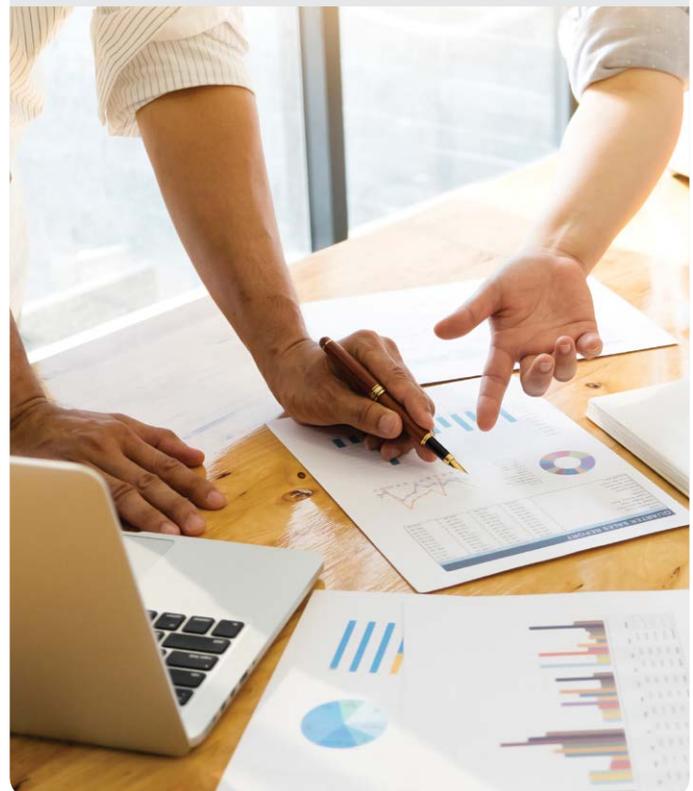
Assessments are supplemented by also consulting external consultants and industry professionals. Risks are also evaluated based on the direct or indirect impact to BAT Malaysia and its stakeholders, the level of impact over short, medium and long-term horizons as well as the severity of the impact(s).

BAT Malaysia's principal strategies comprise the following:

- Investing in solar power systems to generate renewable energy onsite for factory and warehouse operations.
- Purchasing I-RECs from renewable energy projects within Malaysia managed by the I-REC Standard Foundation.
- Transitioning its car fleet to hybrid models.
- Partnering with Shell Malaysia to decarbonise the Company's fleet emissions.
- Establishing Business Continuity Plan (BCP) which is annually tested.

Existing and future strategies implemented by the Operations team to mitigate climate change impacts.

**i** For more information on each of the above-mentioned strategies / initiatives, please refer to pages 53 to 55 of this report.



## ENVIRONMENT

## Task Force on Climate-related Financial Disclosures (TCFD)



## METRICS AND TARGETS

## SPECIFIC RECOMMENDATIONS

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

## ORGANISATION'S ADOPTION OF RECOMMENDATIONS

BAT Malaysia's metrics are based on financial metrics i.e. commercial / losses and cost savings as well metrics related to productivity i.e. number of days impacted, output and brand equity calculations, where relevant. Other calculations include impairments or provisions required for mitigation of climate change risks and impacts.

Examples of BAT Malaysia's approach is exemplified in its transition to solar energy, where financial considerations form a big part of the decision-making process. Kindly see below:

## 25 Years Financial Analysis

Model	Capital Expenditure (Cash)	Capital Expenditure (Loan)
Contract Period	None	None
Operation & Maintenance (O&M) Services	3 years	3 years
Solar Savings in 1 <sup>st</sup> year per kWh	RM0.393	RM0.393
Estimated Monthly Solar Savings in 1 <sup>st</sup> year	RM3,911	RM3,911
<b>Estimated Annual Solar Savings in 1<sup>st</sup> year</b>	<b>RM46,932</b>	<b>RM46,932</b>
Total Solar Savings in 25 years	RM1,295,624	RM1,251,492
Upfront cost	RM242,892	RM48,578
Estimated Annual Loan Repayment <i>700 Years tenure, 80% financing at 6% interest rate</i>	None	RM34,064
Estimated Annual O&M Cost	RM3,737	RM3,737
Cross Cost	RM242,892	RM287,024
Tax Incentive Savings <i>Assumes 24% tax bracket, includes 100% Green Investment Tax Allowance (GITA) and 100% Capital Allowance (CA)</i>	RM116,588	RM116,588
<b>Net cost</b>	<b>RM126,304</b>	<b>RM170,436</b>
Your Payback Period	3.15 years	0.53 years
Internal Rate of Return (IRR)	29%	123%
Levelised Cost of Electricity per kWh	RM0.08	RM0.10

Other metrics revolve around the measurement and calculation of ESG information, in particular fuel consumption in metric tonnes, electricity consumption in megawatts per hour ("MWH") as well as emissions in tonnes of carbon dioxide equivalent ("CO<sub>2</sub>e").

Where possible, risks factors are quantified, i.e. are measured in terms of forecasted impact on revenue, earnings and costs. Other metrics used are impacts on productivity, staff strength, employee morale, company branding and more.

## SPECIFIC RECOMMENDATIONS

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

## ORGANISATION'S ADOPTION OF RECOMMENDATIONS

Scope 1, Scope 2 and Scope 3 emissions are provided on page 53 of this report.

## SPECIFIC RECOMMENDATIONS

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

## ORGANISATION'S ADOPTION OF RECOMMENDATIONS

BAT Malaysia has adopted the following emissions targets in line with the BAT Group to guide its decarbonisation efforts:

**50%** CO<sub>2</sub>e emissions reduction by 2030 across our value chain - comprising Scopes 1 and 2 GHG emissions

Carbon neutral operations by 2030 comprising Scopes 1 and 2 GHG emissions

**50%** Renewable energy by 2030

## SOCIAL

## S

BAT Malaysia is committed to creating a positive social impact through our operations in Malaysia. In this section of the report, we have elaborated how we create value through four of our priority material topics by ensuring a comprehensive understanding and fulfilment of the needs of our employees and other individuals in our supply chain as well as the communities in which we operate.



## People, Diversity and Culture

As we transform our business, our diverse workforce remains integral to our success. Attracting, developing and retaining a talented and dynamic team are key drivers in BAT Malaysia's journey to build A Better Tomorrow™.

While our approach to People, Diversity and Culture is guided by BAT Group's strategy, we have localised the goals and targets to deliver continued value to our employees. Our ambition is to develop an organisation prepared for future sustainable growth. In this section, we outline our methods of instilling a future-ready mindset in our employees.

### BAT Malaysia's Approach

Attracting and retaining a diverse workforce while fostering a welcoming, inclusive work environment are vital elements BAT Malaysia's transformation journey towards building A Better Tomorrow™.

BAT Malaysia aims to increase the proportion of women in management roles to 45% by 2025, while continuing to attract and retain talent. Our priority is nurturing an inclusive workplace where every member of BAT Malaysia's team can thrive and realise their career goals. We persist on fostering a supportive work culture that assists our employees in reaching their full potential.

While we are guided by the BAT Group's strategy and approach, BAT Malaysia has established a People, Diversity and Culture strategy, which focuses on the following areas:

- Accelerating Tomorrow's Leaders
- Embracing Diversity and Inclusion (D&I)
- Attracting and Retaining the Best Talent
- Fostering Workforce Engagement
- Recognising and Rewarding Talent

These topics hold substantial significance for BAT Malaysia and our performance in each area is discussed in this section of the report.

### BAT Malaysia's Goals and Targets

Key Performance Indicator	2023 Target
Aim to increase the proportion of women in management roles (grade 34 and above) to 45% by 2025.	41%
Aim to increase cross-industry hires in management (grade 34 and above) to 45% by 2025.	37%

2023  
HIGHLIGHTS

**36%**

Women in management roles

**29%**

Women in the leadership team

**35%**

Cross-industry hires in  
Management grade

SOCIAL

### ACCELERATING TOMORROW'S LEADERS

As BAT Malaysia continues its journey to build A Better Tomorrow™, we remain steadfast to the values that nurtures a team with a future-ready mindset.

This is deeply ingrained in our workforce of 282 employees and encompasses the entire employment journey – from before a talent begins their first day with us until the departure of an employee. The same approach is applied to attracting, retaining and contributing to the Malaysian talent pool.



## SOCIAL

In a dynamic organisation, leadership development is crucial to long-term planning and sustaining a successful business. At BAT Malaysia, leadership development is given a high priority due to its role in promoting a high-performance culture. To that end, we have invested in various interventions designed to accelerate the growth of tomorrow's talent and leaders, including development and upskilling programmes.

Our leadership programmes are strategically and effectively structured according to the following:

### Leadership Training

Our programmes are carefully curated to further enhance leadership capabilities and acumen in areas such as Leading Self, Leading Teams, Leading Through People, Women in Leadership and RISE. We strive to empower employees to develop the essential skills needed to anticipate, navigate and confidently lead through periods of change and adversity encountered along their career path.



### Talent Marketplace

Talent Marketplace is an AI-driven platform that uncovers the skills, experiences and career goals of BAT Malaysia's employees and connects them with the right opportunities across our organisation. We aspire to educate our employees on the concept of harmonising their well-being with their career through a series of Workstyle Trainings. This initiative also enables our employees to explore opportunities tailored to their individual skills and capabilities.

### Functional Learning Huddles and Capabilities Upskilling

Introduced in 2021, Functional Learning Huddles provide employees with a conducive learning platform within their respective functions, fostering a learning culture. This best practice continued in 2023.

With a specific focus on our National Sales Team, tailored training modules align with our new route-to-market model. The training covers new ways of working, commercial capabilities upskilling and enhancing digital capabilities, which include technology utilisation, internal systems fluency and data insights. Beyond sales, the team receives targeted training in effective data management, organisational skills and management proficiency, ensuring adaptability to evolving customer needs.



SOCIAL

The GRID

Our one-stop digital learning platform consists 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 content at their convenience. The year under review saw an average 89% (vs. 74% in the previous year) usage rate with over 260 active users. Approximately 9,516 learning hours were spent on The GRID in 2023.



Be The Change Internship

This year marked the inaugural pilot launch of our 'Be The Change' Internship, a unique and intensive 3-month flagship programme for aspiring young graduates. This programme offers participants the opportunity to immerse themselves in project-based experiences, receive mentorship and coaching from senior leaders and gain exposure to our diverse, multinational workplace. Additionally, the internship serves as a gateway to global career opportunities within BAT. Since its inception this year, we have successfully welcomed our first cohort of 11 'Be The Change' Interns across various functions.

Global Graduate Programme

Every year, we select high-potential talents who have proven their mettle to be part of the 18-month Global Graduate Programme. The programme exposes participants to various aspects of our business and shapes young talents to become the future leaders of BAT Malaysia.



The general workforce is also deeply involved in training sessions as we continue to invest in talents and their capabilities. In 2023, each employee received an average of 40 hours of training. The total training hours received are recorded as follows:

282 Permanent employees

11,186 Total training hours (virtual, face-to-face and self-directed)

40 Average training hours per employee

## SOCIAL

**EMBRACING DIVERSITY AND INCLUSION (D&I)**

D&I is firmly entrenched across our organisation and driven by our functional champions and leads. We are proud to note that our steadfast commitment to D&I has resulted in the recognition as the first tobacco company to achieve both the National Equality Standard (NES) and the Global Equality Standard (GES) globally. This reaffirms that our focus on mental health, well-being and the ongoing development of D&I capabilities is on the right track.

We celebrated International Women's Day on 8 March 2023 by inviting BAT Group's women leaders to share their insights on how diversity and inclusion can stimulate business growth. Participants were given the opportunity to learn how to manage a multi-generational workforce, cultivate a culture that celebrates D&I and address key D&I issues, as well as crucial factors for steering the D&I agenda in their respective local organisations.

In 2023, our employees also had the unique chance to engage and interact 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 with the intent to inspire a more inclusive work environment.

**Non-Discrimination**

The Respect in the Workplace section of the BAT Group's Standards of Business Conduct is a top priority. It emphasises our commitment to ensuring that all colleagues and business partners are treated with dignity and respect. To actively mitigate discriminatory practices, we have specific provisions in place to promote equality and diversity and prevent harassment and bullying. The Standards of Business Conduct also details the Group Whistleblowing Procedure that serves as a grievance mechanism for our employees to report discriminatory incidents without the fear of reprisals or repercussions. In the year under review, all cases of discrimination reported at BAT Malaysia were investigated.

**Diversity on Our Leadership Team**

Promoting female leadership within the organisation is a D&I strategy that we hold in high regard. This is evident within BAT Malaysia, where we maintain 29% female representation on the Leadership team.

**BAT Malaysia's Workforce**

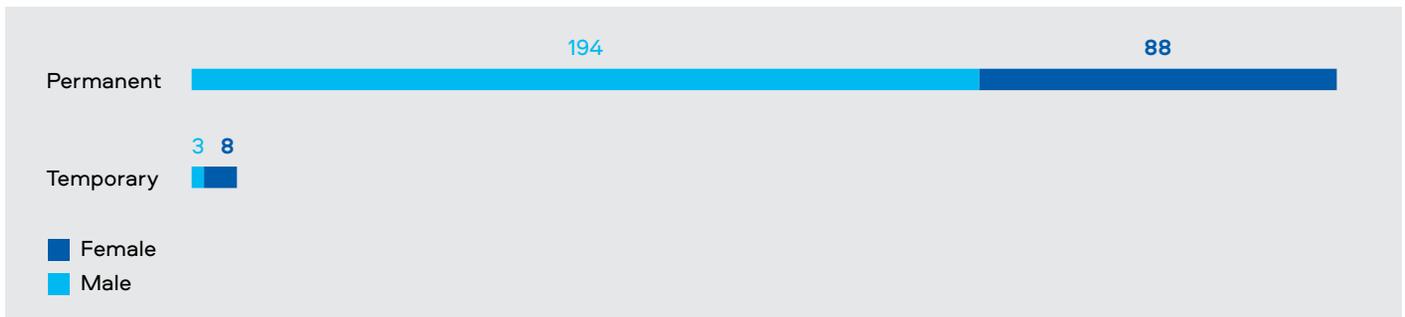
Human capital forms the backbone of our business. It is only with the complete trust and dedication of our employees that BAT Malaysia can effectively implement its A Better Tomorrow™ ambition. Our human capital philosophy embodies diversity in our employment practice. Employees are hired based on credibility and merit, regardless of gender, age, nationality, ethnicity, or religion. BAT Malaysia boasts a 71% spread of distinct nationalities in its Leadership team. This diversity allows us to benefit from various skill sets, experiences and perspectives. Further, women constitute 31% of our employees, with 36% of them occupying management roles.

In 2023, we realised several notable achievements; 9 of our talents were selected for overseas postings, 35 individuals were promoted across various organisational levels and 49 roles were expanded or rotated to encourage personal growth and greater operational efficiency.

SOCIAL



In addition to our permanent employees, we also provide opportunities for temporary workers. The breakdown of our employees by employment type for the year 2023 is as follows:



SOCIAL

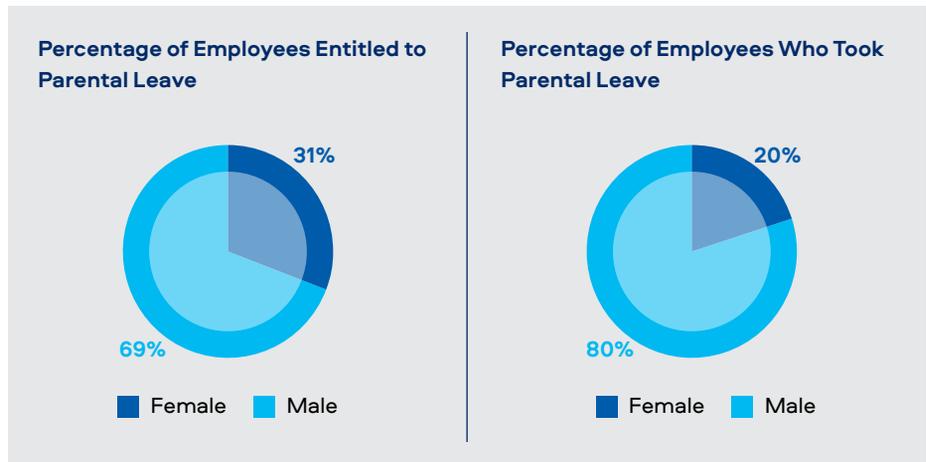
**Initiatives to Drive Diversity and Inclusion**

To support our employees throughout different stages of their life cycle, we have implemented policies such as updated parental leave and flexible working arrangements for expectant and new mothers. For instance, an expectant mother with a field-based role can opt to switch to desk-bound duties should she wish to during her pregnancy. In setting up a more female-friendly workplace, we have taken insights from our female employees into consideration, providing support such as flexible working arrangements during the menstrual cycle for women in National Sales, amenities such as nursing and prayer rooms at sales offices, priority parking for expectant mothers and better-designed uniforms for female employees.

All these efforts commence with education. This plays a vital role in creating awareness and fostering an open mind towards understanding how to drive diversity and inclusion.

As part of our ongoing focus to increase female leaders in our organisation, we provided two female employees the opportunity to attend BAT's global development initiative known as Women in Leadership (WIL) training.

Beyond these initiatives, we respect our employees' rights and allow ample time off for them to care for their child after birth or adoption. As part of our ongoing commitment to supporting expectant mothers and fathers and promoting an equitable, diverse and inclusive workplace, we have launched a new and improved Parental Leave Policy. Our updated policy grants expectant mothers a six-month maternity leave and expectant fathers a 20-day paternity leave. In addition, our policy also extends support for parents dealing with adoption, stillbirth, miscarriage and premature birth. In 2023, we were pleased to note that 100% of the employees who took parental leave returned to work.

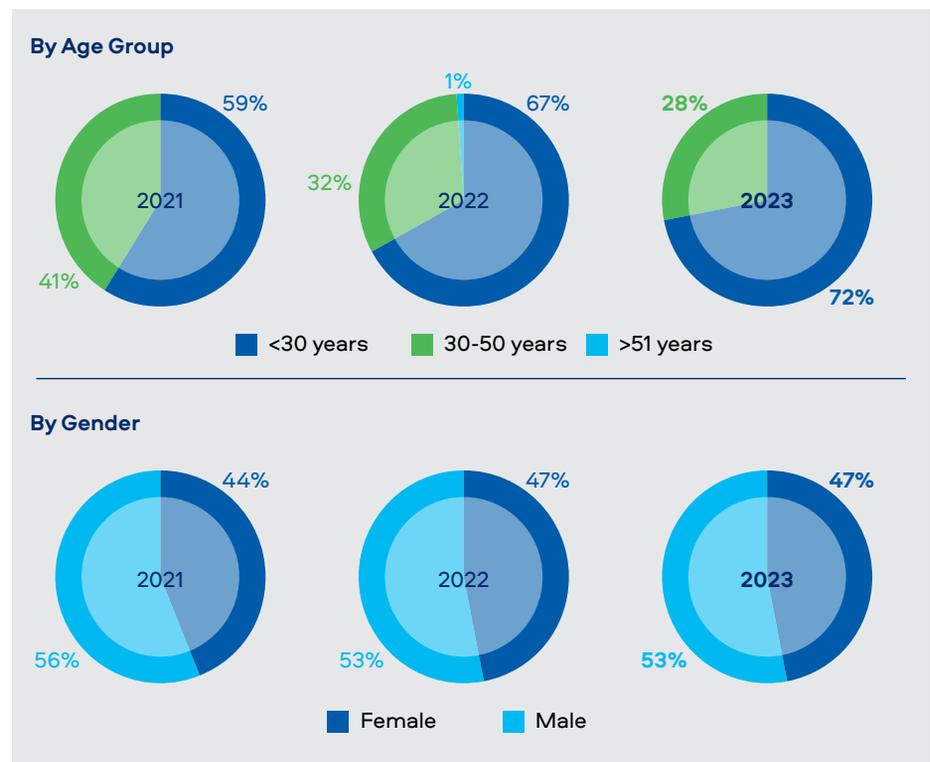


**ATTRACTING AND RETAINING THE BEST TALENT**

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

Since 2020, the percentage of new female hires has steadily increased from 43% to 47% in 2023.

**Percentage of Employees Hired**



## SOCIAL

### Flexible Work Arrangement

BAT Malaysia acknowledges that flexibility is crucial to attracting and retaining high-performing employees. It also fosters the agility and productivity needed to ensure continued business success. Accordingly, we have implemented a flexible work arrangement policy and a work-from-anywhere policy. These policies are designed to strike a balance between the needs of the business and those of our employees, enabling greater flexibility and diverse working arrangements.

The flexible working policy offers employees the option to work remotely for two days a week, while the work-from-anywhere policy allows staff to choose to work from any location in Malaysia for up to four weeks each year. Implementing these measures, BAT Malaysia supports improved work-life integration – an initiative that results in a more productive, inclusive and empowered workforce.

Our commitment to fair employment practices allows us to offer the following benefits to our permanent employees:

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

### Fair Employment Practices

BAT Malaysia practices fair employment and is committed to fostering and promoting a diverse workforce across the Group. We are steadfast in our dedication to equal opportunities and adhere strictly to non-discriminatory practices and policies throughout our hiring, promotion, remuneration and selection processes.

These policies ensure equal treatment for all qualified candidates, irrespective of gender, race, disability, nationality, religion or age. We firmly believe that employees from diverse backgrounds significantly contribute to cultivating our high-performance culture. By providing a variety of complementary skills, experiences and unique perspectives, they enhance BAT Malaysia's capacity for value creation.

Moreover, we continue to adhere to local labour laws, regulations and cultural practices. We also regularly review key employment data and statistics to maintain and further enhance the diversity of our workforce.

### Employee Wellness

BAT Malaysia provides a comprehensive Employee Assistance Programme for all employees. Guided by the Wheel of Wellness, our initiatives focus on four key pillars, namely physical, emotional, financial and occupational wellness.

This year, we implemented a monthly half-day dedicated solely to prioritising the well-being of our employees. Among these efforts,

we introduced various wellness initiatives, including a physical wellness programme specifically tailored for BAT Malaysia's field force employees. This programme aimed to enhance the overall health and fitness of our sales team through a variety of activities, including BMI checks, salad-making sessions and group exercise sessions led by a professional fitness coach.

We also celebrated World Mental Health Day by launching a month-long company-wide mental health wellness programme. This initiative was designed to foster a supportive workplace environment where employees could prioritise their mental well-being. Employees were incentivised to participate in various mental-health related activities, such as attending workshops and seeking guidance from mental health professionals. Additionally, we promoted the use of our health app, offering a comprehensive array of resources tailored to promote mental health awareness.

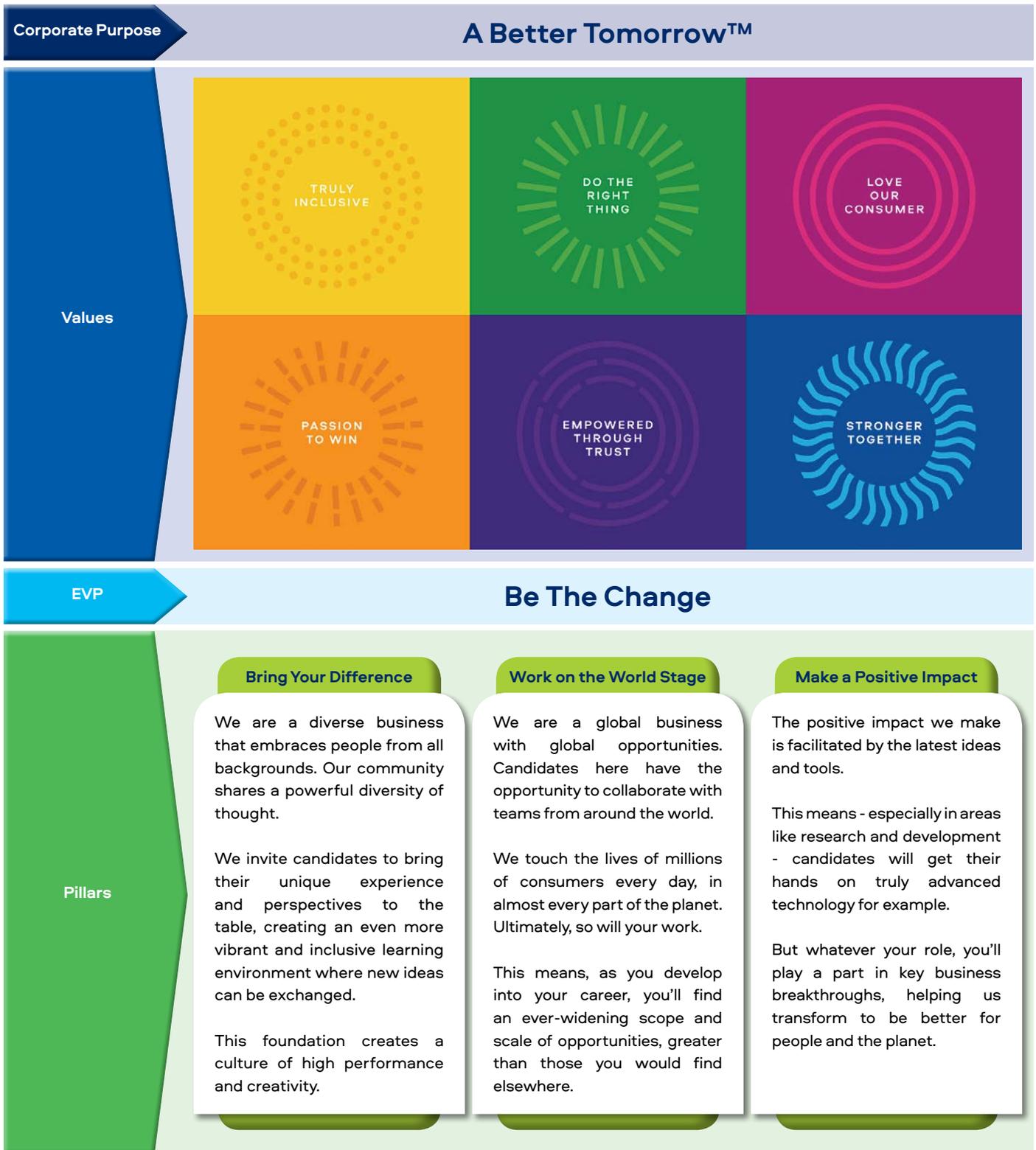
BAT Malaysia remains steadfast in its commitment to championing well-being and nurturing a culture centered around employee wellness.

### ATTRACTING TALENT

#### Employer Value Proposition (EVP)

BAT Malaysia is committed to the accurate execution of our policies through clear communication. Herein lies the significance of our Employer Value Proposition (EVP). It forms the foundation of our three messaging pillars and directs us in expressing our purpose of building A Better Tomorrow™.

SOCIAL



## SOCIAL

**Digital Talent Branding**

Digital channels are increasingly becoming one of the main touchpoints for sourcing quality talent, serving as a primary avenue for BAT Malaysia's talent attraction and sourcing efforts. We capitalise on these accessible platforms that offer key insights, data and content delivery. In our quest to attract the right talent for BAT Malaysia, we also collaborate closely with our Global Business Services recruitment teams to ensure a robust and efficient recruitment process.

**Battle of Minds 2023**

BAT Malaysia continually spearheads innovation through its annual flagship event, seeking out forward-thinking talent nationwide. Battle of Minds, a global competition run by the BAT Group, empowers university students and professionals from around the world to showcase their groundbreaking solutions, driving impactful change.

Embracing this year's global theme centered around our Sustainability Agenda's technological, environmental, social and governance challenges, BAT Malaysia engaged thousands of aspirants via social media, garnering over 25,000 video views and 75,000 post views. We also expanded our reach to early careers through 9 university engagements and 2 of Malaysia's biggest career fairs, engaging over 2000+ students and graduates.

We received over 4 times more registrations from aspiring students and shortlisted 3 innovative ideas to compete in our Malaysia Finals round. The winning team, ReFeel, proudly proceeded to showcase our Malaysia's prowess in the APMEA South round. The team introduced an innovative dissolvable soap tablet with plastic-free packaging, providing a convenient and eco-friendly alternative to traditional cleaning products while promoting the concept of "reduce, reuse and recycle".

**RETAINING THE BEST TALENT****Digitalised Onboarding Experience**

BAT Malaysia has launched Enboarder, a digital onboarding experience specifically designed to assist and guide new employees on their first day of work, even before they officially set foot in the workplace. This engaging onboarding process provides an effective start by enabling them to navigate the Company easily. It offers essential information, including an overview of the Company's purpose, strategy, Standards of Business Conduct and training and development opportunities. In 2023, more than 47 newcomers benefitted from this platform.

**New Joiner Sharing Session**

We provide a seamless and supportive assimilation process for new hires. New joiner sharing sessions are regularly organised for new hires to share their feedback and observations. The sessions also present an opportunity for them to share their external viewpoints and diverse experiences with the senior management.

**FOSTERING WORKFORCE ENGAGEMENT****Employee Engagement Activities**

As we navigate through the post-COVID-19 era, employee engagement activities at BAT Malaysia have largely resumed their usual pace. We continued to reinforce this commitment through an array of engagements, huddles, away days, celebrations and events.

Across the year of 2023, BAT Malaysia hosted several annual festive celebrations such as Chinese New Year, Hari Raya and Diwali bash. These festivities gave our employees the chance to come together to partake in various exciting cultural activities - which included a lion dance show during Chinese New Year, traditional cultural dance performance during Hari Raya and Rangoli making (traditional floor art) for Diwali.

**RECOGNISING AND REWARDING TALENT****Building Tomorrow Recognition**

Our reward and recognition programmes are designed to honour and celebrate BAT Malaysia's high-performing employees. These include the "Building Tomorrow" Award, the Leadership Team Award and the Long Service Award. Such recognitions not only serve as hearty congratulations to well-deserving employees but also as catalysts, propelling them towards continuous growth and delivery.

The A Better Tomorrow™ Awards is our initiative to appreciate those who embody our values and contribute to our business priorities. Our vision is to create simple, consistent, meaningful and memorable recognition that enhances our global employee experience. This empowers employees to value one another 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 and continued in 2023. In 2023 alone, a total of 478 nominations were awarded to 283 distinct recipients.

SOCIAL

**Long Service Awards**

We hold a Long Service Awards to commemorate 10, 20 and 30 years of service to BAT Malaysia. We also take the opportunity to celebrate our retiring employees for their unwavering dedication to the Company.



**RECOGNITION FOR BAT MALAYSIA'S PEOPLE, DIVERSITY AND CULTURE PRACTICES**

As we reflect on the significant milestones for BAT Malaysia, we celebrate the honour of receiving three esteemed awards – a testament to our commitment to excellence in the workplace.

2023 marked the 6<sup>th</sup> consecutive year that BAT Malaysia won the “Top Employer” award bestowed by the Top Employers Institute. This accomplishment highlights our commitment to fostering an engaging, inspiring culture, which ultimately propels us towards our purpose of building A Better Tomorrow™. The award is also a testament to BAT Malaysia’s dedication to promoting diversity and inclusivity. We have also been recognised as a Top Employer in the Asia Pacific Region and are among the 15 certified Global Top Employers worldwide.

We are delighted to share that BAT Malaysia has received the "2024 Graduates' Choice of Employer to Work for" in the Tobacco category, clinching the No. 1 ranking in Malaysia at Talentbank's Graduates Choice Award. This prestigious accolade in the Asia Pacific region, which garners 100% of its votes from top-tier university students across Malaysia, underscores our standing as an employer of choice.

We are also proud recipients of the Bronze award for the "Best Hybrid Working Model" at the Employee Experience Award.



These accolades not only celebrate our individual and collective achievements but also serve as a source of inspiration for our future endeavours. We eagerly anticipate another year of excellence and continued success together as a company.



## SOCIAL



## Human Rights

Our business and supply chain span several sectors with inherent human rights risks and considerations, including raw material supply and manufacturing.

We aim to focus on what matters most to people throughout our supply chain and business operations. To achieve this, we undertake a defined process, engaging to understand the views and impacts on our key stakeholders and rights-holders. We also strive for a holistic approach that identifies emerging risks, trends and best practices.

### ▶ BAT Malaysia's Approach

BAT Malaysia is committed to respecting the human rights of its employees, the people it works with and the communities in which it operates.

We remain guided by the BAT Group strategy as well as 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. BAT Malaysia's commitment to respecting human rights is also outlined in the 'Human Rights' and 'Our Operations' sections of the BAT Group's Standards of Business Conduct (SoBC) and the Supplier Code of Conduct (SCoC) (see page 122).

BAT Malaysia continues to aim for zero child labour in the supply chain and prevent modern slavery, while respecting human rights.

### ▶ BAT Malaysia's Goals and Targets

Aiming for zero child labour in our tobacco supply chain.

## 2023 HIGHLIGHTS

The BAT Group's SoBC underpins our responsibility to respect human rights. We engage with our stakeholders to identify and mitigate human rights risks related to our operations. Moreover, the SoBC helps us stay on track to meet our human rights targets. We will persist in implementing appropriate measures and remedial actions to prevent any violation of human rights.

We are also guided by our Employment Principles. These principles guarantee fair treatment of all our employees and adherence to workplace-related human rights. Our policies and procedures are developed based on these principles and in accordance with local labour laws and practices. We also take changes in the political, economic and cultural landscapes into account.

Based on our Employment Principles, our business has incorporated the following human rights policies:

- Ensure equal opportunities and practice non-discrimination
- Foster internal communication and encourage the free flow of ideas
- Support worker representation and promote freedom of association
- Maintain fairness at work and enforce zero tolerance for harassment and bullying
- Stand against all forms of child labour and forced labour
- Promote performance responsibility
- Uphold responsibility concerning health, safety and the environment
- Invest in community and employee skill development, particularly in markets where we operate
- Provide personal development and learning opportunities
- Implement reasonable working hours for employees and establish family-friendly policies
- Offer fair, just and competitive remuneration and benefits packages

We work to ensure that our suppliers implement similar human rights practices throughout their supply chains and abide by the Supplier Code of Conduct (SCoC), which is incorporated in all our contractual agreements.

Our suppliers, including contractors, service providers and distributors, are expected to uphold high standards of business ethics and integrity with the view to prevent conflicts of interest, bribery, corruption, sanctions, tax evasion and illicit trade. Full cooperation of all suppliers is expected to meet the SCoC requirements, which allow them to provide goods and services to BAT Malaysia. Any incidents of non-compliance identified, is investigated and if substantiated will lead to the termination of agreements between these suppliers and BAT Malaysia.



## Employee Health and Safety

Providing safe working conditions and ongoing commitment to achieving zero accidents across our business supports the well-being of our employees. Simultaneously, it enhances our reputation as a preferred employer. Safeguarding the health and safety of our employees remains a priority for BAT Malaysia. We are dedicated to protecting our employees and contractors while performing any work on the company's behalf. Complying fully with all relevant health and safety regulations, we sustain a safe working environment reinforced by awareness, training and supervision. This enables our employees to work safely.

### ▶ BAT Malaysia's Approach

BAT Malaysia committed to providing a safe and healthy working environment for employees and those in its supply chain.

Our ambition is for zero accidents across our operations and our approach in providing a safe and healthy working environment for employees and those in its supply chain is defined in our Integrated Environmental, Health and Safety Management System. This system offers guidelines on tasks relating to occupational health and safety across the business. Our EHS (Environment, Health and Safety) Road Map allows for the efficacious implementation of our health and safety practices. Effectiveness is gauged by measuring our performance against set targets.

### ▶ BAT Malaysia's Goals and Targets

Aiming to maintain zero accidents across all business operations.

## 2023 HIGHLIGHTS

# Zero

Serious injuries and fatalities (Employees and Contractors)

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

### Environmental, Health and Safety Management System (IMS-EHS)

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

In the year under review, BAT Malaysia underwent an EHS audit conducted by BAT Group and was found to be compliant to the standard of the EHS Road Map. A total of 18 EHS policy aspects and related topics were assessed, including implementation plans and monitoring of specific EHS indicators categorised into sections.

### EHS Policy/Steering Committee

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

- Review and assessment of BAT Malaysia's EHS Policy and EHS management systems and programmes
- Implementation of actions compliant with laws, regulations and the objectives of the EHS policy
- Review of maintenance programmes
- Engagement with external stakeholders
- Management of employee self-assessment reviews based on the EHS Road Map
- Decision-making process concerning critical issues, budget timing and targets

## SOCIAL

### Hazard Identification and Risk Assessment

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), safeguarding the health and well-being of our employees.

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

### Prioritising Health and Safety at Work

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

### Occupational Health and Safety Training

As part of our commitment to employee safety, we continuously organise various initiatives to instill a culture of workplace safety and enable our employees to perform at their best. Starting from their onboarding process, all new employees are required to participate in health and safety training during their orientation and induction. We maintain this focus by delivering ongoing training suited to the various roles and individual needs of our employees and contractors.

### First Aid Training

We conduct training programmes aimed at enhancing the knowledge of our first aiders and emergency response teams. To ensure our first aiders are always prepared for emergencies, we organise refresher courses every three years. The last First Aid training was carried out in 2022.

### Defensive Driving Course

A significant portion of our workforce spends a substantial amount of time on the road, especially within our marketing and sales operations. Our National Sales Team receives comprehensive defensive driving training. This training equips them to identify potential road hazards and make prudent choices in emergency situations. Throughout 2023, we conducted 42 defensive driving sessions in which 92 employees participated. Through this interactive and engaging initiative, employees gained valuable skills for operating vehicles safely. Besides basic first aid, the sessions also covered basic vehicle safety checks and strategies to prevent accidents.

### Occupational Health and Safety Performance

Over the years, BAT Malaysia has promoted a strong safety culture across its operations. This focus has yielded positive results, as evidenced by a decrease in accidents within our organisation. We aim to maintain this trend through continuous commitment to health and safety initiatives. These include identifying and minimising hazards and ensuring our safety practices are deeply ingrained in all our employees.

We actively encourage our staff to incorporate safety practices into their daily activities and to immediately report any safety risks or near misses to our EHS teams through the Near Miss Reporting Programme. In the year under review, we recorded zero fatalities or Lost Time Injuries to our employees and contractors.

### Wellness

We organised Resilience Wellness Day in conjunction with World Health and Safety Day. Further, Naluri conducted a Mental Health Consultation at the BAT Malaysia office on 12 April 2023.



### Recognition for BAT Malaysia's Health and Safety Practices

We received the Malaysian Occupational Safety and Health Practitioners' Association (MOSHPA) Award in 2023 as an acknowledgement of our unyielding efforts to foster a strong commitment to health and safety in the workplace. We were honoured with the Platinum Gold Award in the FMCG Category at the 19<sup>th</sup> MOSHPA OSH National Awards, which represents the 5<sup>th</sup> consecutive year that BAT Malaysia has been awarded by MOSHPA.





## Communities, Social Impact and Well-being

Community investment allows us to provide meaningful support to the communities where we operate. This support includes community projects and charitable contributions, all aimed at achieving A Better Tomorrow™ for society. In this context, community investment is not a standalone mechanism but an essential tool that complements the core business investments we make across all our ESG priorities.

Community investment encompasses any voluntary activities beyond our commercial and core business activities and legal obligations that contribute to the economic, social and environmental sustainability of the countries and communities in which we operate.

### ▶ BAT Malaysia's Approach

BAT Malaysia's approach to community investment adheres to the BAT Group's Strategic Framework but is localised to address the specific needs of Malaysian communities.

In 2022, BAT Malaysia conducted an assessment to understand the needs of local communities. This understanding helped develop a localised strategy and action plan, which aims at making a positive social impact in these communities. Consequently, we streamlined BAT Malaysia's approach to community investment.

Our flagship programme focuses on enhancing food security in low-income (B40) communities. BAT Malaysia has developed a methodology aligned with Malaysia's Urban Community Garden Policy. This approach empowers communities to establish their own farm gardens for their food needs. We have converted this methodology into standard operating procedures, which act as guidelines for all parties involved in the programme.

In addition to this, BAT Malaysia continues its donation activities to assist vulnerable community members.

### ▶ BAT Malaysia's Goals and Targets

Aiming to support ~250,000 beneficiaries by 2026.

2023  
HIGHLIGHTS

~14,000

Beneficiaries supported through Beyond Benih

RM727,959

Total amount invested in the communities

### Beyond Benih: Enhancing Food Security in Low-Income Communities



In 2022, BAT Malaysia launched its flagship community investment project, "Beyond Benih". This project supports low-income communities in establishing farm gardens to meet their food needs. It aligns with UNSDG 10: Reduce Inequalities and the global goal of leaving no one behind.

SOCIAL

The programme is facilitated in collaboration with the federal and state Departments of Agriculture (DOA), local authorities and the resident associations of the selected beneficiary communities. Through our efforts, we provide selected communities with funding, resources, knowledge transfer and technical support via relevant experts such as the DOA and Federal Agricultural Marketing Authority (FAMA). Our goal is to create independent, prosperous and environmentally friendly agricultural communities capable of achieving food self-sufficiency across Malaysia.

## How is the programme designed?

### Resourcing

12 months funding period:  
Up to **RM100,000**  
invested per farm garden

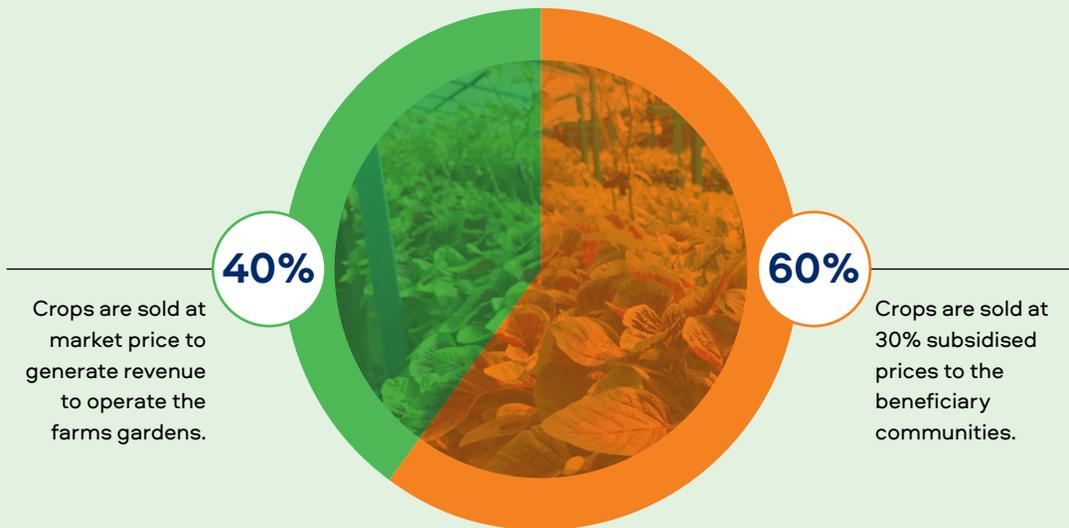


Continuous training & upskilling



On-ground technical support

## Maintaining Sustainability



# How is the programme designed?

## Standard Operating Procedure

### PHASE 1

#### SELECTION OF COMMUNITIES FOR BEYOND BENIH PROGRAMME

- A** Select areas to set up Community Farm Gardens and obtain site approvals
- B** Select suitable B40 communities to support

### PHASE 2

#### SET UP AND OPERATE COMMUNITY FARM GARDENS

- |   |   |
|---|---|
| <ul style="list-style-type: none"> <li><b>C</b> Community farm garden layout plan and land approval</li> <li><b>D</b> Training RAs and Community Handbook</li> <li><b>E</b> Purchasing materials and equipment required to set up farm gardens</li> </ul> | <ul style="list-style-type: none"> <li><b>F</b> Infrastructure construction</li> <li><b>G</b> Development farming strategy and crop management plan</li> <li><b>H</b> Develop commercialisation plan</li> <li><b>I</b> Planning crops and maintenance of garden</li> <li><b>J</b> Registration for MYGAP Certification</li> </ul> |
| <ul style="list-style-type: none"> <li><b>K</b> Registration of community members and issuance of subsidy card</li> </ul>   | <ul style="list-style-type: none"> <li><b>L</b> Working with RAs and FAMA to support commercialisation</li> </ul>   |

### PHASE 3

#### MONITORING OF THE COMMUNITY FARM GARDENS

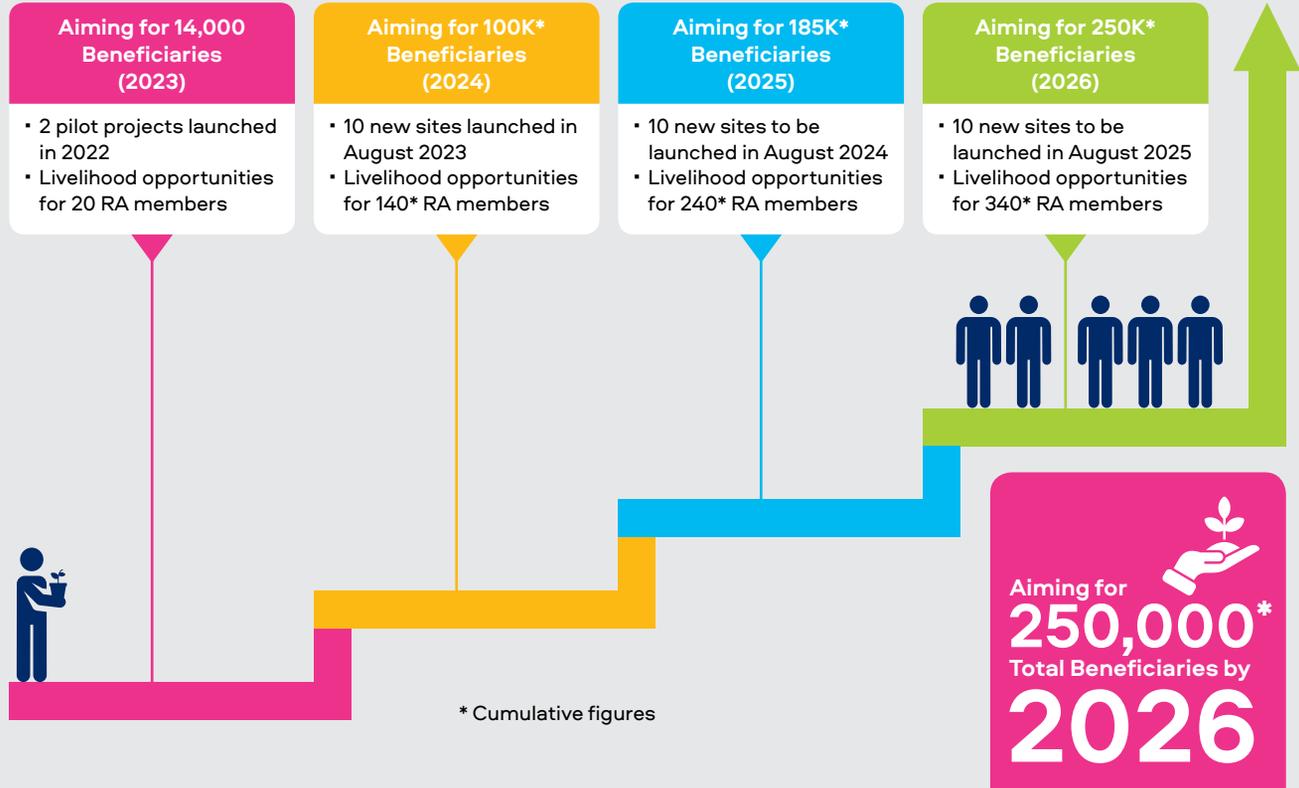
- M** Sell produce
- N** Consolidated and monitoring of monthly operations cost
- O** MYGAP Certification
- P** Prepare for BATM exit (Funding)

### GRADUATION

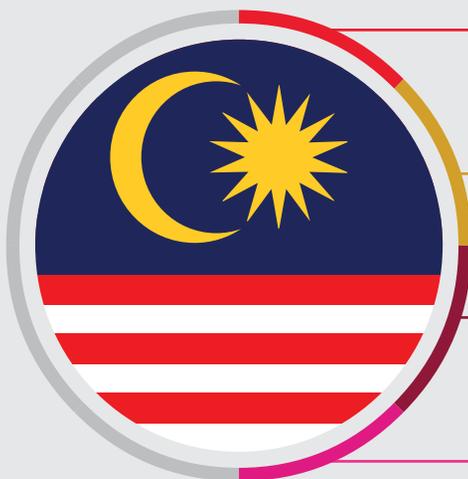
Register with Beyond Benih Alumni Programme

SOCIAL

# What success look like...



# How will it benefit Malaysia



- 1 NO POVERTY**
- 2 ZERO HUNGER**
- 8 DECENT WORK AND ECONOMIC GROWTH**
- 10 REDUCED INEQUALITIES**



## Communities

- Provide access to nutritious meals
- Reduce food costs
- Generate additional income for resident associations
- Support rural farmers to enhance their skills and livelihoods

## SOCIAL

**Ensuring the Sustainability of the Gardens**

We have implemented several measures to guarantee the sustainability of the gardens after BAT Malaysia's funding period concludes.

**Commercialisation:** Resident Associations (RAs) are encouraged to cultivate at least one commercial crop to be sold at market prices. The generated revenue is reinvested into the maintenance and operation of the community farm gardens. Occasionally, the DoA introduces the RAs to third parties who purchase their entire crop for local consumption or export. FAMA provides simple marketing technique training, enabling them to operate small businesses.

**Periodic Retraining:** BAT Malaysia will provide retraining to all registered and successfully graduated RAs through its Beyond Benih Alumni Programme. Each RA is eligible to receive updated training on modern agricultural techniques every two years.

**MyGAP Certification:** BAT Malaysia aids the RAs in their application for MyGAP certification during the first year. Once achieved, this certification can help RAs find export opportunities for their commercial crops.

**Piloting Our Project**

BAT Malaysia successfully completed two pilot projects in 2022 aimed at testing the community farm garden model. These projects, located in Tanjong Karang and Shah Alam, were handed over to the communities in September and October of 2023, following the 12-month funding period. Approximately 14,000 registered beneficiaries are eligible to purchase harvests at a 30% subsidised rate.

Although the funding period has ended, BAT Malaysia and the Selangor state DoA will continue to monitor the progress of the gardens and offer support where needed. The two RAs have been registered with the Beyond Benih Alumni Programme.



*“BAT Malaysia’s efforts have made a significant impact in our community, by empowering us and enhancing our well-being. We are truly appreciative of BAT Malaysia’s presence in our community and their drive to foster a sustainable future for us all.”*

- Encik Ayub Fakhri bin Daim, Head of Resident Association of Sungai Gulang Gulang, Tanjong Karang

## SOCIAL

## National Expansion of the Beyond Benih Programme

Learning from the pilot projects, BAT Malaysia has expanded the programme nationally, adding 10 new sites in 2023. The national expansion was commemorated at a launch event on 11 August 2023, which was officiated by the Deputy Prime Minister of Malaysia.



## Donations

We organised a donation drive in celebration of International Women's Day, supporting the Women's Aid Organisation (WAO).

The employees' generous contributions amounted to RM5,725, with BAT matching the sum. Using the combined collection, we bought groceries and hygiene products based on WAO's wish list. These items were then presented to the management during a modest ceremony held at their head office in Kuala Lumpur.

## GOVERNANCE

G

Acting responsibly and with integrity is fundamental to how BAT Malaysia conducts its business operations. Good corporate governance forms the very foundation of our culture and values and is a key element in ensuring the sustainable, long-term growth of our business.



## GOVERNANCE



## Ethics and Integrity

BAT Malaysia's culture is founded on ethical principles and we adhere to the Group's 'Delivery with Integrity' programme. This programme promotes a consistent approach to how we manage critical risks, including bribery and corruption. Operating with honesty, integrity and transparency is not merely morally correct but also crucial for our long-term success and sustainability.

### ▶ BAT Malaysia's Approach

BAT Malaysia is committed to ensuring exemplary corporate conduct by fostering ethics and integrity throughout all our business operations. We are explicit with our employees, suppliers and business partners about the high level of integrity expected when working for or on behalf of BAT Malaysia and we will never compromise our ethical standards of conduct for the sake of delivering business results.

We have a comprehensive suite of policies and standards in place, guiding us to consistently deliver with integrity. These are supported by ongoing awareness programmes and training for our employees, contractors and business partners to ensure they adhere to the standards of conduct expected of them. Our expectations are clearly outlined in the BAT Group's Standards of Business Conduct (SoBC), which has been localised by BAT Malaysia and the Supplier Code of Conduct (SCoC). These are further enhanced by procedures and tools introduced to continuously identify and mitigate risks. Moreover, our employees are always encouraged to speak up in case of any breach or suspected violation.

Ethics and Integrity remains a principal material topic for BAT Malaysia and our performance during the reporting year is discussed in this section of the report.

### ▶ BAT Malaysia's Goals and Targets

100% of employees complete the SoBC training and compliance sign-off procedures annually.

100% of reported Standards of Business Conduct (SoBC) cases are investigated.

### 2023 HIGHLIGHTS

**100%**  
reported SoBC cases investigated

**100%**  
employees completed SoBC training and compliance sign-off

BAT Malaysia is dedicated to empowering its employees to act with integrity. Over the years, we have cultivated a compliance-conscious culture that prioritises ethical behaviour above the mere pursuit of commercial results.

### Compliance

Adherence to all applicable laws and regulations, as well as internal policies, standards and guidelines, forms the foundation of how we operate in Malaysia. We have implemented the BAT Malaysia's Compliance Strategy, adopted the BAT Group's policies and standards and established procedures to ensure that all our employees, contractors and business partners are aware of them and comply accordingly.

Our employees are required to undergo online SoBC training annually, followed by a sign-off to acknowledge their compliance. In addition, we follow a risk-based approach to due diligence for our contractors and business partners through the Coupa Risk Assess (CRA) online system. We have also subjected our third-party affiliates to assessments via 'Know-Your-Customer' (KYC) and 'Know-Your-Supplier' (KYS) policies.

### Speak Up

We have 'Speak-Up' channels in place, which allow employees and third parties working with us to anonymously raise any concerns of non-compliance with the SoBC without fearing reprisal. This is easily accessible via a designated hotline, an online portal, the mobile SoBC App and dedicated officers.

## GOVERNANCE

**Compliance Training**

We recognise the importance of ensuring that our employees are aware of and understand our policies and procedures related to ethical behaviour. Periodic refresher training sessions are conducted to help employees stay current with our policies. In addition, regular communication through policy cascades and the SoBC App ensures that ethical behaviour is integrated into our business practices.

The following compliance training programmes were conducted during the year:

- 100% of employees covered in SoBC training
- SCCP training is provided to all employees in relevant roles

**Anti-Bribery and Corruption**

Our third-party Anti-Financial Crimes Procedure (AFC) promotes transparency and mitigates risks of bribery and corruption, money laundering, terror financing, illicit trade, sanctions and tax evasion.

**Responsible Marketing and Compliance**

Given the health risks associated with cigarettes, BAT Malaysia believes that it is important to satisfy adult consumer needs in a responsible manner, complying with all applicable regulations on how our products should be manufactured and marketed. This is the only way we can achieve sustainable, long-term growth, which creates value for all our stakeholders.

Regarding New Category products, we believe that marketing freedoms play a pivotal role in our ability to contribute to Tobacco Harm Reduction. The ability to communicate the attributes of these products clearly to adult tobacco and nicotine users, including their reduced-risk<sup>†</sup> profile compared to cigarettes, is crucial. We believe that this communication can serve as the motivation for adult tobacco and nicotine users to switch to New Category products, subsequently reducing smoking rates and related diseases.

Growth in black market cigarettes in Malaysia continues to be a key challenge for the Government and the industry. Apart from directly impacting our market share, untaxed, unregulated products also impact the Government's tax revenue from the industry. Moreover, the growth of black market products also undermines the Government's public health objectives which is why we continue to advocate for meaningful action to tackle this challenge.

**▶ BAT Malaysia's Approach**

BAT Malaysia's approach to responsible marketing is governed by Malaysia's Control of Tobacco Products Regulation (2004) and the BAT Group's International Marketing Principles (IMPs) and Youth Access Prevention (YAP) guidelines. Given the nature of our products, prioritising responsible marketing and transparency in communications is of utmost importance. We assure this through our strict adherence to applicable laws, regulations and internal marketing guidelines.

BAT Malaysia upholds stringent marketing requirements and provide support to employees, partners and customers in effectively implementing these guidelines. In addition, compliance with applicable product regulations and appropriate labelling of products facilitate transparent and trustworthy product communications. BAT Malaysia has set in place a range of approval processes, which support its aim to ensure all communications are transparent and trustworthy.

BAT Malaysia supports the Government's efforts to curb black market trade of cigarettes. We continuously urge the Government to strengthen anti-smuggling measures, including stricter controls on cigarette imports and heightened monitoring. We also adhere to the BAT Group's AIT (Anti-Illicit Trade) Policy in the SoBC, which sets out the procedures to maintain robust supply chain controls. We also take appropriate action where there are risks of any of our products being smuggled or diverted into the black market.

## GOVERNANCE

### ▶ BAT Malaysia's Goals and Targets

Aiming for zero incidents of significant non-compliance with marketing regulations.

Full adherence to BAT Group's Youth Access Prevention (YAP) and International Marketing Principles (IMP) Guidelines.

Aim for reduction in total black market incidence.

### 2023 HIGHLIGHTS

Vuse retailers to uphold its tenets through the mandatory YAP pledge

**55.6%**  
total black market incidence

#### Regulatory Compliance

BAT Malaysia's operations are governed by the Control of Tobacco Products Regulation (2004). BAT Malaysia also strictly adheres to all applicable laws and regulations in the country that prohibit the trade of tobacco products to anyone under the age of 18. Furthermore, we reinforce the communication of the minimum age law for tobacco product purchases every year through YAP messaging at Point-of-Sale Marketing (POSM).

In 2023, there were no incidents of significant non-compliance.

#### International Marketing Principles (IMPs)

In addition to being bound by the Control of Tobacco Products Regulation (2004), marketing operations at BAT Malaysia also adhere to BAT Group's International Marketing Principles (IMPs). These principles ensure our products are marketed responsibly. The regulations outline clear guidance on product marketing and labelling, with which we comply stringently.

The IMP is in place to ensure our products are marketed strictly to adult consumers and are not designed to attract or appeal to the youth. Accordingly, our marketing is expected to be responsible, accurate and not misleading; it is also targeted at adult consumers, transparent and compliant with all applicable laws.

Our vapour products hold the distinction of being the first in Malaysia to comply with the certification requirements of the Standard and Industrial Research Institute of Malaysia (SIRIM).

#### Youth Access Prevention (YAP)

Given the nature of our products, BAT Malaysia is deeply committed to marketing them responsibly and exclusively to adults. This commitment aligns with the expectations of the BAT Group, which applies to all subsidiary companies. We have established stringent procedures and measures to ensure compliance.

We responsibly deliver our products by requiring our retailers and traders to strictly comply with YAP guidelines. This message is communicated through retailer communications and displayed clearly on prescribed signages, as per the Control of Tobacco Products Regulation (2004).

In the absence of YAP regulations for Vapour products under local laws, BAT Malaysia has formulated a YAP framework based on the BAT Groups' to be complied with by our retailers. To date, BAT Malaysia has put in the effort to obtain a pledge from our participating Vuse retailers to uphold the mandatory YAP tenets.

#### Level Playing Field

BAT Malaysia persistently urges the Government to strengthen its anti-smuggling measures, including stricter controls on cigarette imports and heightened monitoring along the Malaysian coastline and at entry points, including private jetties. Additionally, we support the implementation of a special rewards scheme for enforcement agencies to stop smuggling activities, an initiative we believe will drive sustained enforcement efforts.

In 2023, the tobacco black market incidence in Malaysia remained persistently high at 55.6%. We continued to urge the Government to implement the measures announced in the Budget 2024 as soon as possible to combat the tobacco black market and help recover revenue leakages for the Government while ensuring a level playing field for the legal industry in the country.



## Sustainability Governance

The evolution of and attention to sustainability and ESG matters has significantly evolved and heightened in recent years. Regulations and expectations have broadened and intensified substantially, driven primarily by the global challenges posed by climate change and the loss of biodiversity.

Establishing robust governance to fulfil our sustainability commitments has become more important than ever. Specifically, we believe that effective oversight and management of sustainability-related risks and opportunities are crucial to BAT Malaysia's ability to deliver A Better Tomorrow™ and achieve long-term sustainable growth.

### ▶ BAT Malaysia's Approach

BAT Malaysia's continuously works to identify and manage sustainability risks and opportunities throughout its business.

BAT Malaysia's Board of Directors holds oversight of the Company's sustainability strategy and the Sustainability Committee (SC) is entrusted with keeping them informed of the latest updates and progress. The SC is responsible for reviewing the Strategy, goals, targets and BAT Malaysia's performance against them.

The Leadership Team spearheads and drives the strategic priorities, with the support of BAT Malaysia's Chief Sustainability Officer (CSO). The CSO provides quarterly progress updates to both the Leadership Team and the SC. The Chairperson of the SC communicates a quarterly report of BAT Malaysia's progress to the Board of Directors.

While BAT Malaysia's Sustainability strategy is guided by BAT Groups', our priorities, goals and targets have been localised to align with our stakeholders' priorities. We utilise BAT Group's sustainability resources, which include an online environmental reporting system which allows us to capture our data and track performance.

### ▶ BAT Malaysia's Goals and Targets

Effective management of sustainability governance to ensure compliance with Bursa Malaysia's Main Market Listing Requirements.

## 2023 HIGHLIGHTS

Required roles with specific responsibilities in place to drive  
**effective Sustainability Governance**

## GOVERNANCE

**Sustainability Governance**

The emphasis on sustainability matters has surged in recent years. Regulations and expectations have broadened and deepened considerably, primarily due to the challenges linked to climate change, resource depletion, human rights and business ethics.

Establishing suitable governance mechanisms to drive our sustainability commitments is increasingly significant. Notably, BAT Malaysia works on effective oversight and management of sustainability-associated risks and opportunities. We have instituted local sustainability governance by setting up required roles and responsibilities to drive our sustainability agenda forward.

**Sustainability Governance Structure****Ratings and Recognitions**

BAT Malaysia maintained the 4-star rating from FTSE Russell for ESG in 2023. The Bursa Malaysia FTSE Russell ratings assess the overall quality of a company's handling of ESG issues. Once again, BAT Malaysia was listed within the top 25 percentile of listed companies in the country.



# OUR GOVERNANCE

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

94	Board of Directors
102	Leadership Team
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	• Principle A: Board Leadership and Effectiveness
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## BOARD OF DIRECTORS



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

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

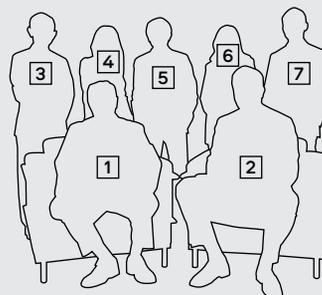
**3 ERIC OOI LIP AUN**  
Independent Non-Executive Director

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

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

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

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



## BOARD OF DIRECTORS



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

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

Number of Board Meetings Attended  
in the Financial Year:

**5/5**

### Membership of Board Committees:

- Nomination and Remuneration Committee (Chairman)  
(Ceased effective from 1 January 2024)

### Present Directorship(s):

Listed Entity:

- Parkson Holdings Berhad

Other Public Companies:

- Nil

Age	Gender	Nationality	Date Appointed to the Board
72	Male	Malaysian	1 January 2017

### Qualifications:

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

### Working Experience:

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

### Additional Information:

#### Tan Sri Dato' Seri Dr. Aseh has no:

- family relationships with any Directors and/or major shareholders of BAT Malaysia.
- conflict of interest or potential conflict of interest, including interest in any competing business with BAT Malaysia.
- convictions for offences within the past five years nor has had any public sanction or penalty imposed on them by the relevant regulatory bodies during the financial year 2023.

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

From 1984, he served in the Ministry of Home Affairs, Malaysia in various positions including Principal Assistant Secretary of the Security and Police Affairs Division, Undersecretary of the Security and Preventive Division and Management Division and Deputy Director General and Director General of the Department of Immigration, Malaysia.

In February 2001, Tan Sri Dato' Seri Dr. Aseh was appointed Secretary General of the Ministry of Home Affairs, Malaysia, a post he held until his retirement on 22 October 2007.

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

## BOARD OF DIRECTORS



Number of Board Meetings Attended  
in the Financial Year:

**5/5**

**Membership of Board Committees:**

- Nomination and Remuneration Committee (Chairman)  
*(Redesignated with effect from 1 January 2024)*
- Risk Management Committee
- Audit Committee

**Present Directorship(s):**

Listed Entity:

- Nil

Other Public Companies:

- Nil

**DATO' CHAN CHOON NGAI**

DSNS

Senior Independent Non-Executive Director

Age	Gender	Nationality	Date Appointed to the Board
68	Male	Malaysian	1 February 2011

**Qualifications:**

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

**Working Experience:**

Dato' Chan was appointed to the Board of BAT Malaysia on 1 February 2011 after his retirement on 31 December 2010 as Operations Director of the Company. He was re-designated as Non-Independent Non-Executive Director of the Company on 1 January 2013 following the expiry of his contract of service on 31 December 2012. Subsequently, he was re-designated as Independent Non-Executive Director of the Company on 23 May 2016. He was re-designated as Senior Independent Non-Executive Director on 28 February 2021.

He was appointed as the Operations Director of BAT Malaysia in July 2000 and his portfolio expanded to include Business Development Services effective 15 November 2010.

Dato' Chan joined Rothmans of Pall Mall (Malaysia) Berhad (Rothmans Malaysia) in 1979, as a Production Management Trainee and held various positions in the production division including Production Executive Make and Pack (1980-1982), Personal Assistant to Rothmans International World Production Director, Rothmans International United Kingdom (1982-1984), Acting Factory Manager Rothmans Malaysia (1984-1986), Factory Manager Rothmans Malaysia (1986-1994) and Production Director (Designate) of Rothmans Malaysia (1994-1995). Dato' Chan was then appointed Production Director of the then Rothmans Malaysia in October 1995. He was a director of Tien Wah Press Holdings Berhad from May 1997 to June 2003.

**Additional Information:**

Dato' Chan has no:

- family relationships with any Directors and/or major shareholders of BAT Malaysia.
- conflict of interest or potential conflict of interest, including interest in any competing business with BAT Malaysia.
- convictions for offences within the past five years nor has had any public sanction or penalty imposed on them by the relevant regulatory bodies during the financial year 2023.

## BOARD OF DIRECTORS



Number of Board Meetings Attended  
in the Financial Year:

**5/5**

**Membership of Board Committees:**

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

**Present Directorship(s):**

Listed Entity:

- Genting Berhad
- Carlsberg Brewery Malaysia Berhad

Other Public Companies:

- Nil

**ERIC OOI LIP AUN**

Independent Non-Executive Director

Age	Gender	Nationality	Date Appointed to the Board
66	Male	Malaysian	1 March 2019

**Qualifications:**

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

**Working Experience:**

Eric was a Partner at PricewaterhouseCoopers (PwC), Malaysia until his retirement in June 2015 after 38 years of service. He joined the firm of Price Waterhouse (PW) (now known as PwC) in 1977, qualified as a Certified Public Accountant in 1981 and was admitted to the partnership of PwC in Malaysia in 1991.

In 2012, Eric assumed the responsibility of leading the middle market practices of the Asia-Pacific cluster of PwC firms, focused on working with entrepreneurs and high-net-worth individuals and families.

From 2002 until 2008, Eric was the Assurance leader for PwC's regional grouping in Asia and was a member of PwC's Global Assurance leadership team.

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

**Additional Information:**

Eric has no:

- family relationships with any Directors and/or major shareholders of BAT Malaysia.
- conflict of interest or potential conflict of interest, including interest in any competing business with BAT Malaysia.
- convictions for offences within the past five years nor has had any public sanction or penalty imposed on them by the relevant regulatory bodies during the financial year 2023.

## BOARD OF DIRECTORS



Number of Board Meetings Attended  
in the Financial Year:

**5/5**

**Membership of Board Committees:**

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

**Present Directorship(s):**

Listed Entity:

- Kumpulan Perangsang Selangor Berhad
- Sedania Innovator Berhad

Other Public Companies:

- Nil

**NORLIZA BINTI KAMARUDDIN**

ADJUNCT PROFESSOR

Independent Non-Executive Director

Age	Gender	Nationality	Date Appointed to the Board
59	Female	Malaysian	30 April 2021

**Qualifications:**

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

**Working Experience:**

Norliza binti Kamaruddin is a senior communications specialist with more than 30 years of experience in Malaysia and other international markets. She specialises in multiple sectors including energy, finance, banking, aviation, telecommunications and hospitality. Norliza has helped organisations within ASEAN,

the Middle East and the Americas to develop and execute communication strategies. She is recognised as one of Malaysia's leading communication strategists with a deep understanding of the geopolitical landscape and a track record in developing sophisticated reputation campaigns for major companies. She is the only Malaysian to be recognised in the world's three most prestigious public relations (PR) and marketing awards. She was also named one of the 'Top 500 Most Influential PR Professionals in PR Week Power Book 2014 and 2015' by the global PR Week magazine. She was awarded 'Internationalist of the year 2014' by The Internationalist, New York.

Previously, Norliza was the Managing Director in the Strategic Communications practice of FTI Consulting, Inc based in Kuala Lumpur, Malaysia. Prior to that, she was the Global Head of Strategic Communications for PETRONAS. She also served as the Country Head of Corporate Affairs at Standard Chartered Bank.

**Additional Information:**

**Norliza has no:**

- family relationships with any Directors and/or major shareholders of BAT Malaysia.
- conflict of interest or potential conflict of interest, including interest in any competing business with BAT Malaysia.
- convictions for offences within the past five years nor has had any public sanction or penalty imposed on them by the relevant regulatory bodies during the financial year 2023.

## BOARD OF DIRECTORS



Number of Board Meetings Attended  
in the Financial Year:

**5/5**

**Membership of Board Committees:**

- Sustainability Committee

**Present Directorship(s):**

Listed Entity:

- Carlsberg Brewery Malaysia Berhad

Other Public Companies:

- Nil

**DATUK CHRISTINE LEE OI KUAN**

DPSM

Non-Independent Non-Executive Director

Age	Gender	Nationality	Date Appointed to the Board
65	Female	Malaysian	1 March 2012

**Qualifications:**

- Degree in Law from the University of Malaya, Malaysia

**Working Experience:**

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

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

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

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

**Additional Information:**

**Datuk Christine has no:**

- family relationships with any Directors and/or major shareholders of BAT Malaysia.
- conflict of interest or potential conflict of interest, including interest in any competing business with BAT Malaysia.
- convictions for offences within the past five years nor has had any public sanction or penalty imposed on them by the relevant regulatory bodies during the financial year 2023.

## BOARD OF DIRECTORS



Number of Board Meetings Attended in the Financial Year:	<b>5/5</b>
---	------------

**Membership of Board Committees:**

- Sustainability Committee

**Present Directorship(s):**

Listed Entity:

- Nil

Other Public Companies:

- British American Tobacco Malaysia Foundation

**NEDAL LOUAY SALEM**

Executive Director/Managing Director

Age	Gender	Nationality	Date Appointed to the Board
54	Male	American	1 September 2021

**Qualifications:**

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

**Working Experience:**

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

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

He was the Head of Brands Marketing in Bentoel Indonesia (2017-2019) and the Director of Brands Marketing, Korea (2011-2015). Nedal started his career in British American Tobacco Middle East in 1998.

**Additional Information:****Nedal has no:**

- family relationships with any Directors and/or major shareholders of BAT Malaysia.
- conflict of interest or potential conflict of interest, including interest in any competing business with BAT Malaysia.
- convictions for offences within the past five years nor has had any public sanction or penalty imposed on them by the relevant regulatory bodies during the financial year 2023.

## BOARD OF DIRECTORS



Number of Board Meetings Attended  
in the Financial Year:

**5/5**

**Membership of Board Committees:**

- Risk Management Committee

**Present Directorship(s):**

Listed Entity:

- Nil

Other Public Companies:

- Nil

## ANTHONY YONG MUN SENG

Executive Director/Finance Director

Age	Gender	Nationality	Date Appointed to the Board
51	Male	Malaysian	1 November 2021

**Qualifications:**

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

**Working Experience:**

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

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

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

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

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

**Additional Information:**

Anthony has no:

- family relationships with any Directors and/or major shareholders of BAT Malaysia.
- conflict of interest or potential conflict of interest, including interest in any competing business with BAT Malaysia.
- convictions for offences within the past five years nor has had any public sanction or penalty imposed on them by the relevant regulatory bodies during the financial year 2023.

## LEADERSHIP TEAM



*From Left to Right:*

**C K REMEENA PRABHAKARAN**  
Supply Chain Director

---

**FAIRUZ HELMI**  
Corporate and Regulatory Affairs Director

---

**DARREN JOHN CORBY**  
Commercial Marketing Director

---

**NEDAL LOUAY SALEM**  
Managing Director

---

**ANTHONY YONG MUN SENG**  
Finance Director

---

**ADRITA DATTA**  
Human Resources Director

---

**JACQUELINE KO MAN TING**  
Legal Director

---

## LEADERSHIP TEAM

1



**NEDAL LOUAY SALEM**  
Managing Director

Age	Gender	Nationality
54	Male	American

**Date Appointed to the Leadership Team**

13 October 2021

For details of Nedal's profile, please refer to page 100 of this Annual Report.

2



**ANTHONY YONG MUN SENG**  
Finance Director

Age	Gender	Nationality
51	Male	Malaysian

**Date Appointed to the Leadership Team**

1 November 2021

For details of Anthony's profile, please refer to page 101 of this Annual Report.

3



**FAIRUZ HELMI**  
Corporate and Regulatory Affairs Director

Age	Gender	Nationality
51	Male	Malaysian

**Date Appointed to the Leadership Team:**

1 April 2022

**Qualifications:**

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

**Directorship in Public Companies and Listed Issuers:**

- Nil

**Working Experience:**

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

**Additional Information:**

None of the Leadership Team has:

- family relationships with any Directors and/or major shareholders of BAT Malaysia.
- conflict of interest or potential conflict of interest, including interest in any competing business, with BAT Malaysia.
- convictions for offences within the past five years nor has had any public sanction or penalty imposed on them by the relevant regulatory bodies during the financial year 2023.
- direct/indirect shareholdings in BAT Malaysia.

## LEADERSHIP TEAM

4



**C K REMEENA  
PRABHAKARAN**  
Supply Chain Director

Age	Gender	Nationality
60	Female	Malaysian

**Date Appointed to the Leadership Team:**

1 March 2018

**Qualifications:**

- Bachelor of Science in Mathematics, Microbiology and Genetics from the University of Malaya, Malaysia

**Directorship in Public Companies and Listed Issuers:**

- Nil

**Working Experience:**

- Remeena was appointed the Operations Director of BAT Malaysia on 1 March 2018.
- Prior to her current role, she was the Head of British American Tobacco's Asia-Pacific Supply Service Centre from July 2014 to February 2018.
- Remeena joined British American Tobacco in 2012 as the Asia-Pacific Middle East Head of Category and Sourcing Manager within the Procurement function. In 2013, she was promoted to the Regional Head of Procurement.
- She was with Philip Morris International from 1997 to 2012 with her last role being the Director of Supply Chain South Cluster.

5



**ADRITA DATTA**  
Human Resources Director

Age	Gender	Nationality
40	Female	Bangladeshi

**Date Appointed to the Leadership Team:**

1 September 2022

**Qualifications:**

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

**Directorship in Public Companies and Listed Issuers:**

- Nil

**Working Experience:**

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

## LEADERSHIP TEAM

6



**DARREN JOHN CORBY**  
Commercial Marketing Director

Age	Gender	Nationality
54	Male	Australian

**Date Appointed to the Leadership Team:**

1 September 2023

**Qualifications:**

- Bachelor of Commerce, Marketing; University of Western Sydney, Australia

**Directorship in Public Companies and Listed Issuers:**

- Nil

**Working Experience:**

- Darren was appointed as the Commercial Marketing Director on 1 September 2023.
- Prior to this appointment, Darren was the Head of Customer, BAT Australia for two years.
- Darren has had over 30 years of FMCG experience, including senior customer roles at both Coca-Cola and Unilever.

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**JACQUELINE KO MAN TING**  
Legal Director

Age	Gender	Nationality
40	Female	New Zealander

**Date Appointed to the Leadership Team:**

25 February 2024

**Qualifications:**

- Postgraduate Certificate in Laws, University of Hong Kong, Hong Kong SAR
- Professional Legal Studies, College of Law, New Zealand
- Bachelor of Laws & Bachelor of Commerce, University of Auckland, New Zealand

**Directorship in Public Companies and Listed Issuers:**

- Nil

**Working Experience:**

- Jacqueline was appointed as the Legal Director on 25 February 2024.
- Prior to her current role, Jacqueline was the Senior Legal Counsel for the Global Travel Retail business, with additional coverage of New Zealand, the Philippines, Hong Kong SAR and the joint venture CTBAT's businesses based out of Hong Kong SAR during the three years since she joined BAT group in 2020.
- Jacqueline was the Legal Counsel for Alibaba Group's International Dispute Resolution team between 2015 to 2020.
- Before taking on corporate in-house roles, Jacqueline was practicing in private law firms with a focus on Dispute Resolution and Intellectual Property between 2008 to 2015.
- Jacqueline has also taken up a commercial role as the Director of Business Development of an online beauty discovery platform start-up between 2011 to 2012.
- She is also an alumni of KPMG New Zealand.

**Additional Information:**

None of the Leadership Team has:

- family relationships with any Directors and/or major shareholders of BAT Malaysia.
- conflict of interest or potential conflict of interest, including interest in any competing business, with BAT Malaysia.
- convictions for offences within the past five years nor has had any public sanction or penalty imposed on them by the relevant regulatory bodies during the financial year 2023.
- direct/indirect shareholdings in BAT Malaysia.

## CORPORATE GOVERNANCE OVERVIEW STATEMENT

On behalf of the Board, I am pleased to present our Corporate Governance Overview Statement for 2023. The Board remains steadfast in its commitment to maintaining effective corporate governance and integrity, enabling us to deliver our strategy for the long-term benefit of all our stakeholders.



### GOVERNANCE, CULTURE AND GOALS

Guided by our purpose to build A Better Tomorrow™, well-informed decisions are consistently made at every level of the Company. BAT Malaysia takes great pride in its strong and well-established culture, which is firmly underpinned by our core principles and values and significantly shapes the way we work. Our resilience and performance following the pandemic can be attributed to our robust business model and dedicated team, who uphold our high ethical standards and focus on 'doing

the right thing'. This commitment drives our sustainable growth and the customer outcomes we desire.

We continue to ensure that good governance is present at all levels and all functions of the Company. Reliable Group-wide systems are in place to monitor every aspect of governance, with the Board and its Committees regularly reviewing information about our health and safety culture and our approach to assessing and monitoring risks.

### SUSTAINABILITY

As set out on pages 50 to 91 in this report, we made significant strides towards achieving our sustainability goals in 2023, with valuable backing from our Sustainability Committee. You can read more about the Committee's activities on page 117 and review the Sustainability Committee's Terms of Reference (TOR) under the Corporate Governance section on our website, [www.batmalaysia.com](http://www.batmalaysia.com). The Sustainability Committee has successfully enhanced the Board's focus on the environmental and employee engagement-related social elements of ESG. Other Board Committees that have contributed to this agenda include the Nomination and Remuneration Committee, with its focus on the diversity and inclusion-related social element and the Audit Committee, with its focus on the governance element.

Our solid governance structures and well-established procedures gave the Board and its Committees the flexibility to operate in an increasingly uncertain environment. We maintained our engagement with shareholders through the Annual General Meeting, which was held virtually once again. The meeting was live-streamed, with the opportunity for shareholders to pose questions before and during the meeting, which was very much valued by the Board.

In conclusion, I wish to express my gratitude to my fellow Board members, the Leadership Team and our colleagues in the wider workforce who contributed their services during the year for BAT Malaysia Group. My profound appreciation also goes to our valued business partners who worked with and supported us in our drive towards a sustainable business. As we go through 2024, the Board will continue to work with the Leadership Team and our people to deliver on our strategic initiatives, to ensure the well-being of our colleagues and build a successful and sustainable business for all stakeholders.

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

## CORPORATE GOVERNANCE OVERVIEW STATEMENT

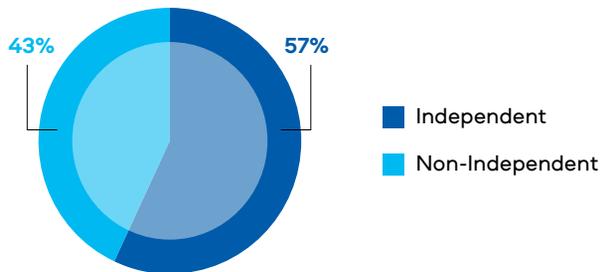
## STATEMENT OF COMPLIANCE

BAT Malaysia continues to demonstrate a strong commitment to corporate governance, successfully implementing and adhering to 39 of the 43 Practices prescribed in the Malaysian Code on Corporate Governance 2021 (MCCG 2021). This is an improvement from the previous year, with one additional practice achieved. Further, in our ongoing drive to exceed regulatory expectations and maintain good governance standards, we have adopted four out of the five optional Step-Up Practices. These practices allow BAT Malaysia to go above and beyond existing regulatory requirements, strengthening our organisational governance. The Corporate Governance Report (CG Report), which details the application or departure of each MCCG 2021 Practice, can be viewed on our website, [www.batmalaysia.com](http://www.batmalaysia.com).

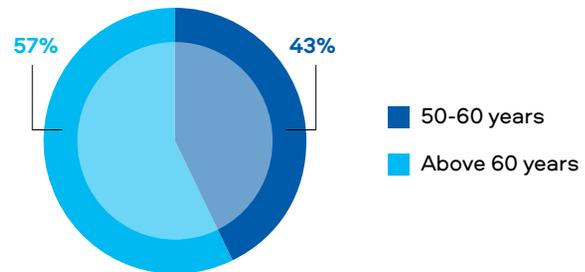
This commitment to continually improve our compliance practices underscores our dedication to operating with unwavering integrity, confirming BAT Malaysia as a trusted and responsible leader in the industry.

## GOVERNANCE AT A GLANCE AS AT 31 DECEMBER 2023

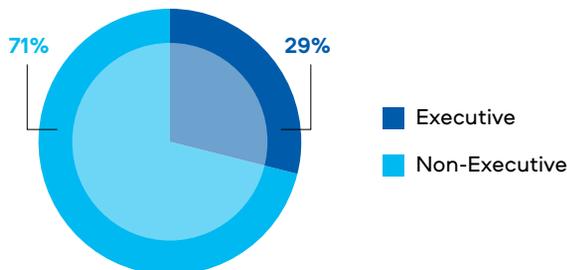
## Board Independence



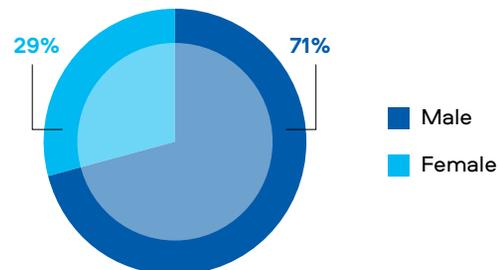
## Age Group



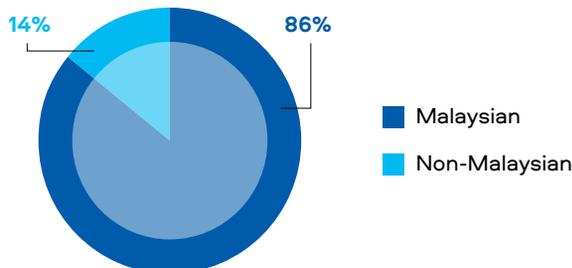
## Executive/Non-Executive Directors



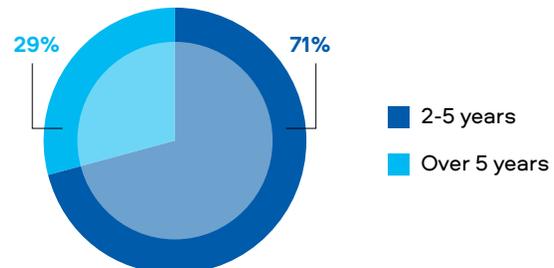
## Board Gender Diversity



## Board Nationality



## Non-Executive Director's Tenure



CORPORATE GOVERNANCE OVERVIEW STATEMENT

**PRINCIPLE A: BOARD LEADERSHIP AND EFFECTIVENESS**

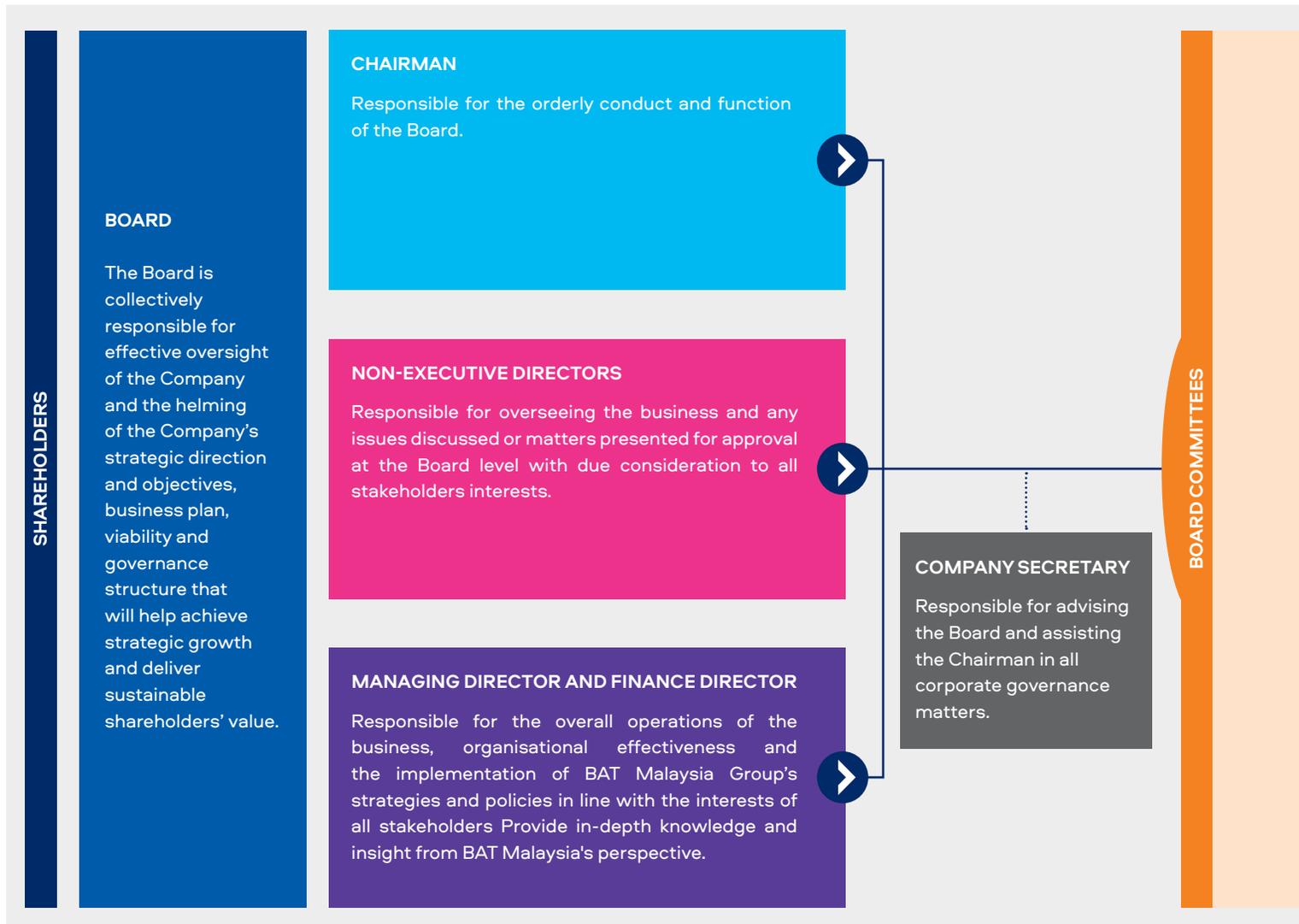
**BOARD LEADERSHIP**

BAT Malaysia Group is led by an effective and entrepreneurial Board that promotes the long-term, sustainable success of BAT Malaysia Group, generating value for shareholders whilst contributing to the broader community. The Board assumes ultimate responsibility for BAT Malaysia Group's overall leadership, overseeing the development and delivery of clear strategies for BAT Malaysia Group.

As of the date of this report, the Board comprises seven Directors: the Chairman, two Executive Directors, three Independent Non-Executive Directors and one Non-Independent Non-Executive Director. The Non-Executive Directors have a broad range of business, financial and international skills and experience, contributing to a balanced and diverse Board.

 Details about the Directors' biographies can be found on pages 94 to 101.

The Board's size allows time for constructive debate on key elements of BAT Malaysia Group's performance and strategic initiatives. It also allows for challenges to these elements and ensures that all Directors' views are heard. The Board monitors operational and financial performance against agreed-upon goals and objectives and ensures the existence of appropriate controls and systems for risk management. Additionally, it ensures the provision of financial resources and a workforce with the necessary skills to deliver the Board's strategic goals.



## CORPORATE GOVERNANCE OVERVIEW STATEMENT

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

The Board discharges some of its responsibilities directly and others through its Committees. Execution of approved strategies and day-to-day management of the Company's business is delegated to the Leadership Team, with the Board retaining responsibility for overseeing, guiding and holding Management to account. The diagram below describes BAT Malaysia Group's governance framework and provides an overview of the key Committees of the Board.

### Division of Responsibility

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

### Board Diversity and Experience

BAT Malaysia Group is committed to fostering a diverse Board comprising Directors from various backgrounds with relevant experience, perspectives, skills and knowledge. We believe that diversity including gender diversity, among Directors and employees contributes to a high-performing and effective Board and business, thus promoting BAT Malaysia Group's ongoing success. We strive to maintain this optimal balance using a meritocratic appointment process.

### Conflicts of Interest

A well-established process is in place whereby the Board, through the Audit Committee, regularly reviews and monitors conflicts of interest or potential conflicts of interest, including interests in any competing businesses. Directors holding significant commitments outside of BAT Malaysia Group are required to disclose them prior to appointment and on an ongoing basis whenever changes occur. Actual and potential conflicts of interest are documented in a register, which is maintained by the Company Secretary and reviewed annually.

#### AUDIT COMMITTEE (AC)

Monitors the integrity of BAT Malaysia Group's Financial Statements, provides oversight of the financial reporting and audit processes and oversees BAT Malaysia Group's internal audit and system of internal controls and compliance with laws and regulations.

#### RISK MANAGEMENT COMMITTEE (RMC)

Establishes, reviews and monitors BAT Malaysia Group's approach to risk management and Business Continuity Plans.

#### SUSTAINABILITY COMMITTEE (SC)

Establishes, reviews and monitors BAT Malaysia Group's sustainability strategies and action plans.

#### NOMINATION AND REMUNERATION COMMITTEE (NRC)

Ensures that the Board, its Committees and the Leadership Team have the appropriate skills, knowledge, diversity, experience and the right remuneration to operate effectively.

#### LEADERSHIP TEAM

Manages day-to-day operations of BAT Malaysia Group and advises the MD on implementing strategies and business operations.



## CORPORATE GOVERNANCE OVERVIEW STATEMENT

## BOARD AND BOARD COMMITTEE MEETING ATTENDANCE FOR 2023

Board of Directors	Tan Sri Dato' Seri Dr. Aseh bin Haji Che Mat	Nedal Louay Salem	Dato' Chan Choon Ngai	Datuk Christine Lee Oi Kuan
	Independent Non-Executive Director/ Chairman	Executive Director/ Managing Director	Senior Independent Non-Executive Director	Non-Independent Non-Executive Director
Total Meetings Attended	9/9 100%	9/9 100%	18/18 100%	9/9 100%

## PRINCIPAL BOARD ACTIVITIES IN 2023

At every scheduled Board meeting, the Board receives updates from the Leadership Team and the Company Secretary on strategic, financial, operational and governance matters. The table below provides examples of significant matters presented and discussed in the year ended 31 December 2023.

#### ▶ STEP CHANGE IN NEW CATEGORIES\* PERFORMANCE

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

*Note: \*New Categories refer to reduced-risk<sup>†</sup> categories of products other than combustibles (cigarettes).*

#### ▶ DRIVE VALUE FROM COMBUSTIBLES

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

#### ▶ SIMPLIFY THE BUSINESS

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

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

† Our Vapour product Vuse (including Alto, Solo, Ciro, and Vibe), and certain products, including Velo, Grizzly, Kodiak, and Camel Snus, which are sold in the U.S., are subject to FDA regulation and no reduced-risk claims will be made as to these products without agency clearance.

#### ▶ SUSTAINABILITY

- Reviewed the evolution of BAT Malaysia Group's strategy, placing sustainability at the forefront of BAT Malaysia Group's activities.
- Reviewed the strategy to reduce the health impact of the business.
- Reviewed environmental management.
- Reviewed positive social impact deliverables.
- Reviewed sustainability governance.

#### ▶ ACCELERATING TOMORROW'S LEADERS

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

#### ▶ FINANCIAL PERFORMANCE

- Approved BAT Malaysia Group's budget and oversight of resource allocation activities to support strategy execution.
- Reviewed the financial performance and business outlook.
- Assessed cost optimisation and unlocked revenue to support investments.
- Reviewed compliance with BAT Malaysia Group's financial principles.
- Reviewed BAT Malaysia Group's revolving credit facilities and cash flows.

## CORPORATE GOVERNANCE OVERVIEW STATEMENT

Eric Ooi Lip Aun

—  
Independent  
Non-Executive Director

13/13  
100%

Norliza binti Kamaruddin

—  
Independent  
Non-Executive Director

14/14  
100%

Anthony Yong Mun Seng

—  
Executive Director/  
Finance Director

9/9  
100%

Average  
Percentage of  
Board Meetings  
Attended by  
Directors:

100%

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

## RISK

### Management of Principal Risks

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

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

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

## CORPORATE GOVERNANCE AND COMPLIANCE

### Related Party Transactions (RPT) and Recurrent Related Party Transactions (RRPT)

The Board reviewed BAT Malaysia Group's RPT and RRPT to ensure all transactions were conducted at arm's length, on normal commercial terms and not detrimental to minority shareholders. During the period from 1 January 2023 to 31 December 2023, BAT Malaysia Group successfully entered into and duly completed contracts for seven RPT/RRPTs, which were reported to the AC on a quarterly basis.

## TRAINING AND DEVELOPMENT

The Board recognises the importance of the continuous development of its Directors to acquire or enhance the requisite knowledge and skills, ensuring they can discharge their duties effectively.

## CORPORATE GOVERNANCE OVERVIEW STATEMENT

 **BOARD TRAINING**

The Directors attended the following training programmes during the financial year ended 31 December 2023:

Director	Briefing/Conference/Forum/Seminar/Training/ Workshop/Webinar attended	Organiser	Date
<b>Tan Sri Dato' Seri Dr. Aseh bin Haji Che Mat</b>	Product Update: Update on Vuse	BAT Malaysia	29 May 2023
	Cybersecurity – A Boardroom Agenda	ICDM	4 December 2023
	Chairman's Masterclass: Driving Sustainability from the Chair	ICDM	5 December 2023
<b>Dato' Chan Choon Ngai</b>	Product Update: Update on Vuse	BAT Malaysia	29 May 2023
	Webinar on Artificial Intelligence (AI) for Company Directors and Executives	MICG	3 August 2023
	A Delicate Balance – Board & Management Relationship	ICDM	2 November 2023
	Mandatory Accreditation Programme Part II: Leading for Impact	ICDM	29 – 30 November 2023
	Cybersecurity – A Boardroom Agenda	ICDM	4 December 2023
<b>Datuk Christine Lee Oi Kuan</b>	Board's At-A-Glance – Bursa Malaysia's Enhanced Sustainability Reporting Framework	ICDM	16 February 2023
	Navigating the ESG Risk in the Supply Chain	ICDM	11 April 2023
	Powertalk Series: Advancing Cyber Resilience: Board's Top 3 Must Knows	ICDM	25 May 2023
	Product Update: Update on Vuse	BAT Malaysia	29 May 2023
	Board Sustainability Committee Dialogue and Networking: The ABC Soup of ESG and You (Boards)	ICDM	10 July 2023
	Bridging the Gap: Metaverse, Board of Directors, Net Zero & NFT	ICDM	2 August 2023
	Mandatory Accreditation Programme Part II: Leading for Impact	ICDM	22 – 23 August 2023
	Introduction to Corporate Directorship in the New Era of ESG	ICDM	11 – 12 September 2023
<b>Eric Ooi Lip Aun</b>	Cybersecurity – A Boardroom Agenda	ICDM	4 December 2023
	2023 Budget Seminar by Deloitte Tax Services	Genting Berhad	23 March 2023
	Product Update: Update on Vuse	BAT Malaysia	29 May 2023
	Board Sustainability Committee Dialogue & Networking: The ABC Soup of ESG and You (Boards)	ICDM	10 July 2023
	Bridging the Gap: Metaverse, Board of Directors, Net Zero & NFT	ICDM	2 August 2023
	Talk on “Board Oversight of Climate Risks and Opportunities” by Professor Mak Yuan Teen and Dr Khoo Guan Seng	Iclif Executive Education Center of Asia School of Business	10 October 2023
	Mandatory Accreditation Programme Part II: Leading for Impact	ICDM	29 – 30 November 2023
<b>Norliza binti Kamaruddin</b>	Cybersecurity – A Boardroom Agenda	ICDM	4 December 2023
	Product Update: Update on Vuse	BAT Malaysia	29 May 2023
	Global Board of Directors Transformation Masterclass	Corporate World Intelligence	30 May – 1 June 2023
	Task Force on Climate-Related Financial Disclosures	Kumpulan Perangsang Berhad	27 June 2023
	Mandatory Accreditation Programme Part II: Leading for Impact	ICDM	8 – 9 November 2023
	Cybersecurity – A Boardroom Agenda	ICDM	4 December 2023
Chairman's Masterclass: Driving Sustainability from the Chair	ICDM	5 December 2023	

## CORPORATE GOVERNANCE OVERVIEW STATEMENT

Director	Briefing/Conference/Forum/Seminar/Training/Workshop/Webinar attended	Organiser	Date
Nedal Louay Salem	Product Update: Update on Vuse	BAT Malaysia	29 May 2023
	Cybersecurity – A Boardroom Agenda	ICDM	4 December 2023
Anthony Yong Mun Seng	Product Update: Update on Vuse	BAT Malaysia	29 May 2023
	Introduction to Corporate Directorship in the New Era of ESG	ICDM	11 – 12 September 2023
	A New Strategy & Risk Approach – Out with the Old, In with the New	ICDM	12 October 2023
	A Delicate Balance – Board & Management Relationship	ICDM	2 November 2023
	Mandatory Accreditation Programme Part II: Leading for Impact	ICDM	8 – 9 November 2023
	Cybersecurity – A Boardroom Agenda	ICDM	4 December 2023

## BOARD APPOINTMENTS

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

The NRC is entrusted with the responsibility of assessing and considering the capabilities, professionalism, integrity, expertise and experience of prospective Board members and Board Committee members. This assessment takes into consideration the Board's current structure, size, gender diversity, time commitment and composition. It is crucial to ensure that the Board and the Board Committees possess an appropriate balance of skills, expertise and knowledge to manage the business effectively.

The NRC also takes into consideration the following factors:

- (1) Whether the individual meets the requirements for independence as defined in the Bursa Malaysia MMLR.
- (2) The candidate's general understanding of BAT Malaysia Group's business and market.
- (3) The candidate's general alignment with BAT Malaysia Group's strategic direction.
- (4) Other factors that promote a diversity of views, experience and independent judgement.

The NRC uses independent executive search firms and/or recommendations from existing Board members, the Management and major shareholders. As part of a Fit and Proper Policy adopted in 2022, the Company Secretary will carry out a comprehensive reference check for all appointments and reappointments of Directors to the Board. These checks include verifications of financial background, character integrity and professional qualifications of shortlisted candidates. Each shortlisted candidate will undergo an interview conducted by the members of the NRC to assess their technical expertise, skills and experience, compatibility with the Board and terms of appointment. Upon completion of the reference checks, the NRC

will recommend the proposed candidate to the Board. The Board will deliberate on the recommended candidate and, if deemed appropriate, shall approve the appointment of the candidate as a Board member. Upon the candidate's appointment as a new Director, an appointment letter will be issued.

The Board appointment process is outlined below:

- (1) Identification of potential individual
- (2) Evaluation and review of the individual
- (3) Submission of recommended individuals to the Board
- (4) Decision on appointment made by the Board

## BOARD INDUCTION

Upon the appointment of a new Director to the Board, a comprehensive induction programme is provided. This programme is primarily designed to onboard and familiarise the new Director with BAT Malaysia Group's business, vision, values, governance and people. In addition, the programme also takes into consideration the induction needed for a new Director's appointment to Board Committees.

## RE-APPOINTMENT AND RE-ELECTION OF DIRECTORS

The re-election of Directors is conducted in accordance with Clause 109.1 of BAT Malaysia's Constitution. This clause stipulates that one-third of the Directors are subject to retirement by rotation at every AGM but shall be eligible for re-election. It also mandates that all Directors shall retire from office at least once every three years. The Directors to retire each year are those who have served the longest since their last re-election.

To ensure the Directors up for re-election are fit and capable of continuing serving as Directors, the NRC enlisted the Institute of Corporate Directors Malaysia (ICDM) to conduct a fit and proper assessment in accordance with the Company's Fit and Proper Policy.

## CORPORATE GOVERNANCE OVERVIEW STATEMENT

Consequently, upon the NRC's recommendations, the Board has unanimously resolved to recommend to the shareholders to vote in favour of re-electing the following Directors, who are due for retirement pursuant to Clause 109.1, at the Company's 63<sup>rd</sup> AGM:

- (1) Re-election of Norliza Kamaruddin
- (2) Re-election of Anthony Yong Mun Seng

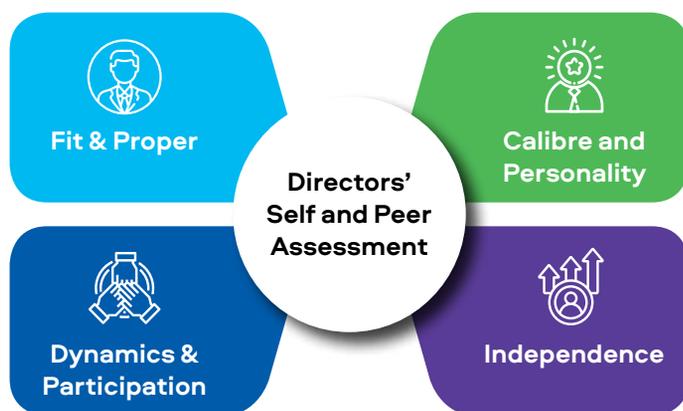
### ANNUAL PERFORMANCE ASSESSMENTS

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

Since the Company had engaged an Independent Consultant to facilitate the Board and Directors Effectiveness Evaluation (BDEE) exercise last year, the BDEE exercise for the financial year ended 31 December 2023 was conducted internally through a comprehensive set of questionnaires. The summary of the findings was reported to the NRC for deliberation before the NRC's recommendations were tabled to the Board. The assessment served as guidance for the NRC and a reference point for the Board to ensure that a balance of skills and expertise across a wide range of areas is consistently maintained. Additionally, it addressed gaps and training areas to enhance the Board's effectiveness.

A comprehensive assessment framework encompassing the following areas was used:

- (1) Board and its Board Committees Mix and Composition
- (2) Board and its Board Committees Quality and Decision-Making
- (3) Board and its Board Committees Activities
- (4) Board and its Board Committees Interaction and Communication
- (5) Board and its Board Committees Performance



### CONCLUSIONS OF THE 2023 REVIEW

The Board concluded that the Board, the Board Committees and the individual Directors are efficient and effective in discharging their oversight responsibilities during the financial year.

The NRC reviewed the results and findings of the evaluation on 15 February 2024 and presented them to the Board on 22 February 2024.

### REMUNERATION

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

The NRC is responsible for reviewing and recommending to the Board the remuneration package for Executive Directors. For the Executive Directors of BAT Malaysia, both corporate and individual performances are rewarded using an integrated pay, benefits and bonus structure, which not only reflects the competitive nature of BAT Malaysia Group's operations but also contributes to its strategic goals. The Executive Directors, who are full-time employees, receive no additional compensation for their services as Directors.

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

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

## CORPORATE GOVERNANCE OVERVIEW STATEMENT

All Non-Executive Directors are paid fixed annual director fees as members of the Board and the Board Committees. The fee payable to each Non-Executive Director is determined by the Board as authorised by the shareholders of BAT Malaysia and it varies depending on the level of responsibilities undertaken by the individual Non-Executive Director.

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

The Board believes in a competitive and transparent remuneration framework that supports the responsibilities and fiduciary duties of the Directors and Leadership Team, towards realising BAT Malaysia Group's long-term objectives and enhancing stakeholder value.

The details of the Director's remuneration, comprising remuneration received/receivable from BAT Malaysia Group for the financial year ended 31 December 2023, are as follows:

Directors	Fee (RM'000)		Allowance (RM'000)		Salary (RM'000)		Bonus (RM'000)		Benefits-in-kind		Other emoluments		Total (RM'000)
	Company	Subsidiaries	Company	Subsidiaries	Company	Subsidiaries	Company	Subsidiaries	Company	Subsidiaries	Company	Subsidiaries	
<b>Independent Non-Executive Directors</b>													
Tan Sri Dato' Seri Dr. Aseh bin Haji Che Mat	345	-	154	-	-	-	-	-	-	-	-	-	499
Dato' Chan Choon Ngai	100	-	13	-	-	-	-	-	-	-	-	-	113
Eric Ooi Lip Aun	120	-	9	-	-	-	-	-	-	-	-	-	129
Norliza binti Kamaruddin	110	-	13	-	-	-	-	-	-	-	-	-	123
<b>Non-Independent Non-Executive Director</b>													
Datuk Christine Lee Oi Kuan	100	-	4	-	-	-	-	-	-	-	-	-	104
<b>Executive Directors</b>													
Nedal Louay Salem	-	-	-	-	1,107	-	320	-	589	-	1,670	-	3,686
Anthony Yong Mun Seng	-	-	-	-	853	-	207	-	129	-	814	-	2,004
<b>Total (RM'000)</b>	<b>775</b>	<b>-</b>	<b>193</b>	<b>-</b>	<b>1,960</b>	<b>-</b>	<b>527</b>	<b>-</b>	<b>718</b>	<b>-</b>	<b>2,263</b>	<b>-</b>	<b>6,658</b>

The remuneration of the Leadership Team for the financial year ended 31 December 2023 is as follows:

Name	Range of remuneration
C K Remeena C K Prabhakaran	1,400,000 – 1,450,000
Bryce Matthew Green (Resigned on 1 September 2023)	1,250,000 – 1,300,000
Adrita Datta	1,150,000 – 1,200,000
Fairuz Helmi Abdul Malek	1,100,000 – 1,150,000
Rohan Gnanaganesan (Resigned on 6 November 2023)	650,000 – 700,000
Darren John Corby (Appointed on 1 September 2023)	450,000 – 500,000
Michael Tan Heng Chai (Redesignated on 1 April 2023)	350,000 – 400,000

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

## CORPORATE GOVERNANCE OVERVIEW STATEMENT

## NOMINATION AND REMUNERATION COMMITTEE REPORT

**Dato' Chan Choon Ngai**

*Senior Independent Non-Executive Director (Chairman)  
(Redesignated with effect from 1 January 2024)*

#### ▶ TERMS OF REFERENCE

The TOR of the Nomination and Remuneration Committee (NRC) is available in the Corporate Governance section of the Company's website at [www.batmalaysia.com](http://www.batmalaysia.com)

#### ▶ COMPOSITION

Dato' Chan Choon Ngai  
*Senior Independent Non-Executive Director (Chairman)  
(Redesignated with effect from 1 January 2024)*

Norliza binti Kamaruddin  
*Independent Non-Executive Director (Member)*

Tan Sri Dato' Seri Dr. Aseh bin Haji Che Mat  
*Independent Non-Executive Director  
(Ceased with effect from 1 January 2024)*

#### ▶ ATTENDANCE

Dato' Chan Choon Ngai	4/4
Norliza binti Kamaruddin	4/4
Tan Sri Dato' Seri Dr. Aseh bin Haji Che Mat <i>(Ceased with effect from 1 January 2024)</i>	4/4

#### ▶ SUMMARY OF ACTIVITIES

During the financial year ended 31 December 2023, the NRC undertook and/or deliberated on the following:

- (1) Recommended the re-election of Directors at the 63<sup>rd</sup> AGM to the Board for consideration.
- (2) Conducted the Fit and Proper assessment on the candidates for the re-election of Directors, as guided by the Directors' Fit and Proper Policy.
- (3) Reviewed the analysis/findings of the Directors' performance assessment of the Board, Board Committees and individual Directors for 2023.
- (4) Reviewed the tenure of the Independent Non-Executive Directors.
- (5) Reviewed the appointment and remuneration of the Leadership Team.
- (6) Reviewed the NRC Report for inclusion in the Annual Report 2023.
- (7) Reviewed the fees and benefits of Non-Executive Directors.
- (8) Deliberated on the establishment of an appropriate succession plan for members of the Board.
- (9) Reviewed and approved the Leadership Team's annual bonus, salary increments and remuneration package.
- (10) Reviewed and recommended the BAT Malaysia Policy on Parental Leave and Benefits to the Board for approval.

## CORPORATE GOVERNANCE OVERVIEW STATEMENT

## SUSTAINABILITY COMMITTEE REPORT



**Norliza binti Kamaruddin**

*Independent Non-Executive Director (Chairwoman)*

#### ▶ TERMS OF REFERENCE

The TOR of the Sustainability Committee (SC) is available in the Corporate Governance section of the Company's website at [www.batmalaysia.com](http://www.batmalaysia.com)

#### ▶ COMPOSITION

Norliza binti Kamaruddin  
*Independent Non-Executive Director (Chairwoman)*

Datuk Christine Lee Oi Kuan  
*Non-Independent Non-Executive Director (Member)*

Nedal Louay Salem  
*Executive Director/Managing Director (Member)*

#### ▶ ATTENDANCE

Norliza binti Kamaruddin	4/4
Datuk Christine Lee Oi Kuan	4/4
Nedal Louay Salem	4/4

#### ▶ SUMMARY OF ACTIVITIES

During the financial year ended 31 December 2023, the SC undertook and/or deliberated on the following:

- (1) Continuously reviewed BAT Malaysia Group's sustainability strategy and its delivery through the achievement of the KPIs set for 2023.
- (2) Reviewed BAT Malaysia Group's sustainability initiatives and activities in relation to tobacco harm reduction and the environmental, social and governance priorities.
- (3) Reviewed the annual budget for the sustainability plan.
- (4) Reviewed BAT Malaysia Group's community investment strategy and approved the launch of the Beyond Benih programme, a flagship community investment project.
- (5) Reviewed and approved the governance process developed for the implementation of the community investment project.

**PRINCIPLE B: EFFECTIVE AUDIT AND RISK MANAGEMENT****Directors' Responsibilities for the Preparation of the Annual Audited Financial Statements**

Statements explaining the responsibilities of the Directors for the preparation of the Annual Audited Financial Statements are available in the Annual Report on page 136.

**Risk Management and Internal Control Framework**

The Board, with assistance from the AC and RMC, holds ultimate responsibility for the risk management and internal control framework of BAT Malaysia. It monitors the Company's risk management and internal control systems and reviews their effectiveness. This monitoring and review cover all material controls, including financial, operational and compliance controls. Further details of BAT Malaysia's Risk Management Framework and Internal Control System can be found in the Statement on Risk Management and Internal Control and Risk Management Report from pages 125 to 132.

**Ethical and Procedural Standards**

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

**AUDIT COMMITTEE REPORT**

**Eric Ooi Lip Aun**  
*Independent Non-Executive (Chairman)*

**▶ TERMS OF REFERENCE**

The TOR of the Audit Committee (AC) is available in the Corporate Governance section of the Company's website at [www.batmalaysia.com](http://www.batmalaysia.com)

**▶ COMPOSITION**

Eric Ooi Lip Aun  
*Independent Non-Executive (Chairman)*

Dato' Chan Choon Ngai  
*Senior Independent Non-Executive (Member)*

Norliza binti Kamaruddin  
*Independent Non-Executive (Member)*

**▶ ATTENDANCE**

Eric Ooi Lip Aun	5/5
Dato' Chan Choon Ngai	5/5
Norliza binti Kamaruddin	5/5

The AC has presented the AC Report for the financial year ended 31 December 2023.

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

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

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

## CORPORATE GOVERNANCE OVERVIEW STATEMENT

## ▶ SUMMARY OF ACTIVITIES

During the financial year ended 31 December 2023, the AC undertook the following activities:

### (1) Financial Reporting

The AC reviewed BAT Malaysia Group's quarterly financial results and annual audited financial statements and recommended the same to the Board for approval. The reviews focused on significant changes to accounting policies and practices, adjustments arising from the audits, compliance with relevant accounting standards and other legal requirements to ensure that the financial statements presented a true and fair view of BAT Malaysia Group's financial performance.

### (2) Internal Audit

- i. Reviewed the 2023 Internal Audit plan of BAT Malaysia Group to ensure adequate coverage of BAT Malaysia Group's key risks and adequate resources within the Internal Audit team were available to execute the audit plan.
- ii. Reviewed BAT Malaysia Group's three-year rolling plan, developed by the Internal Audit via a comprehensive planning process that identified and prioritised potential auditable areas and audit coverage.
- iii. Reviewed the internal control processes and considered the recommendations and improvements to be implemented by the Management based on the audit findings.
- iv. Reviewed the implementation status of agreed audit actions to ensure timely implementation by the Management.

### (3) External Audit

- i. Reviewed the external auditors' report, which summarised key findings from the audit of the financial statements for the year ended 31 December 2023, along with the Directors' Statement on Risk Management and Internal Control.
- ii. Reviewed with the external auditors their audit plan for the financial year ended 31 December 2023, which outlined audit materiality, audit scope, methodology and timing of the audit, key milestones, involvement of

IT specialists, audit focus areas including tax audit, route-to-market, considerations adoption and transition of accounting standards and proposed fees for the audit services rendered by the external auditors for the financial year ended 31 December 2023.

- iii. Reviewed the written assurance provided by the external auditors in respect of their independence.
- iv. Met with the external auditors twice without the presence of the Executive Directors and the Management during the year under review.

### (4) Related Party Transactions

- i. Reviewed and discussed reports on RPT, RRPT and potential conflict-of-interest transactions to ensure that all RPT and RRPT were undertaken on an arm's length basis and normal commercial terms, consistent with BAT Malaysia Group's usual business practices and policies, which were not more favourable than those generally available to the public and other suppliers and not detrimental to the minority shareholders.
- ii. Monitored the RPT and RRPT thresholds to ensure compliance with the Bursa Malaysia MMLR.
- iii. Reviewed and recommended to the Board for approval the Circular to Shareholders in relation to the proposed renewal of shareholders' mandate for the Company and its subsidiaries to enter into RRPT of the revenue or trading nature with related parties.

### (5) Annual Reporting

Reviewed and endorsed the AC Report, Standards of Business Conduct Statement and Statement on Risk Management and Internal Control for the Board's approval and inclusion in the Annual Report 2023.

### (6) Other Activities

- i. Deliberated on BAT Malaysia Group's two-year cash flow forecast.
- ii. Deliberated on reports on whistleblowing and breaches of the Standards of Business Conduct.
- iii. Deliberated on security and safety matters and loss reports.

## CORPORATE GOVERNANCE OVERVIEW STATEMENT

- iv. Assessed the performance of the internal and external auditors.
- v. Deliberated on environmental, health and safety review reports.
- vi. Deliberated on reports on the Control Navigator and Immediately Reportable Incidents.
- vii. Deliberated on reports on financial record-keeping and reporting under the Sarbanes-Oxley Act.
- viii. Conducted a self-assessment of the AC's performance.

### ▶ INTERNAL AUDIT FUNCTION

BAT Malaysia Group's Internal Audit function is carried out through the Global Audit function of BAT Group Internal Audit. BAT Group Internal Audit possesses direct access to both the AC and the AC Chairman and reports to the AC on matters concerning controls and audit findings. In addition to this, BAT Group Internal Audit assists the AC in reviewing the effectiveness of BAT Malaysia Group's internal controls and processes. In doing this, it ensures there is an appropriate balance of risk and control in achieving its business objectives. This approach ensures a high level of independence and provides access to more skilled and specialised resources than would otherwise be available within the BAT Group.

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

Imad Rahman, Internal Audit Manager and permanent invitee to the AC, manages the remit of internal audit at BAT Malaysia. He holds a bachelor's degree in Business Administration and a Master of Business Administration, majoring in Finance.

The Management's proposals regarding the appointment, transfer and removal of Internal Audit staff require the prior approval of the AC. Any inappropriate restrictions on the audit scope are to be reported to the AC. The Internal Audit Manager presents and reports the Internal Audit findings pertinent to BAT Malaysia Group at the AC meeting on a quarterly basis.

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

- Key risks faced by BAT Malaysia Group.
- Continued progress towards becoming a globally integrated enterprise.
- Changes introduced by the global operating model.
- Several types of audits exist within BAT Malaysia Group, namely Process Audits (which include IT), Audits of Change, End Market Accountability Audits, Operations Audits and Other Audits.
  - Process Audits carry out an end-to-end audit of business processes across various entities within BAT Malaysia Group.
  - Audits of Change focus on significant business change initiatives, such as key projects and programmes.
  - End Market Accountability Audits consider BAT Malaysia Group's top risks.
  - Operations Audits provide assurance over the core operations of BAT Malaysia Group's business and its ability to supply high-quality finished goods in line with the evolving needs of the business and regulatory agenda.
  - Other Audits are conducted upon direct requests, which may arise due to an incident, a request from the Management, or a request from the AC.

During the financial year 2023, the subject matter of audits conducted by the BAT Group Internal Audit was as follows:

- Route-to-market

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

Given that the Internal Audit Function is in-house and part of BAT Group, there is no cost recharged to BAT Malaysia Group.

## CORPORATE GOVERNANCE OVERVIEW STATEMENT

## RISK MANAGEMENT COMMITTEE REPORT



**Eric Ooi Lip Aun**  
*Independent Non-Executive (Chairman)*

#### ▶ TERMS OF REFERENCE

The TOR of the Risk Management Committee (RMC) is available in the Corporate Governance section of the Company's website at [www.batmalaysia.com](http://www.batmalaysia.com)

#### ▶ COMPOSITION

Eric Ooi Lip Aun  
*Independent Non-Executive (Chairman)*

Dato' Chan Choon Ngai  
*Senior Independent Non-Executive (Member)*

Anthony Yong Mun Seng  
*Executive Director/Finance Director (Member)*

#### ▶ ATTENDANCE

Eric Ooi Lip Aun	4/4
Dato' Chan Choon Ngai	4/4
Anthony Yong Mun Seng	4/4

#### ▶ SUMMARY OF ACTIVITIES

During the financial year ended 31 December 2023, the RMC undertook and/or deliberated on the following:

- (1) Reviewed BAT Malaysia Group's Risk Management Programme, which includes BAT Malaysia Group's top 20 risks and associated mitigating actions, to ensure comprehensive management and reporting of all major risks to the Board.
- (2) Reviewed BAT Malaysia Group's Risk Management Programme beyond the top 20 risks.
- (3) Reviewed BAT Malaysia Group's business continuity plans as part of its business continuity management.
- (4) Conducted robust risk assessments and reviewed mitigation plans for the introduction of a new product category.

# ETHICAL AND PROCEDURAL STANDARDS

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

## 1 STANDARDS OF BUSINESS CONDUCT

A set of key policies, expressing the high standards of integrity BAT Malaysia Group is committed to upholding. The areas covered by the Standards of Business Conduct are Conflicts of Interest, Anti-Bribery and Corruption, Entertainment and Gifts, Respect in the Workplace, Human Rights, Health, Safety and Welfare, Environment, Political Contributions, Community Investments, Accurate Books and Records, Protection of Corporate Assets, Data Privacy, Ethics and Artificial Intelligence, Cybersecurity, Confidentiality and Information Security, Insider Dealing and Market Abuse, Competition and Anti-Trust, Sanctions and Export Controls, Anti-Illicit Trade and Anti-Tax Evasion and Anti-Money Laundering.

The Standards of Business Conduct requires all employees to act with high standards of business integrity and declare any conflict of interest. This disclosure exercise is carried out on an annual basis. BAT Malaysia Group is also a signatory of the Malaysian Corporate Integrity Pledge, which was signed on 19 February 2014, demonstrating our commitment to upholding anti-corruption in the conduct of its business.

## 2 SUPPLIER CODE OF CONDUCT

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

## 3 COMMUNITY INVESTMENT FRAMEWORK

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

## 4 INTERNAL REGULATION ON SECURITIES DEALINGS

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

## 5 GLOBAL ENVIRONMENTAL, HEALTH AND SAFETY POLICY MANUAL

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

## CORPORATE GOVERNANCE OVERVIEW STATEMENT



## 6 SECURITY PROCEDURE

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

## 7 POLICY ON DATA PROTECTION

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

## 8 GROUP DATA PRIVACY PROCEDURE

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

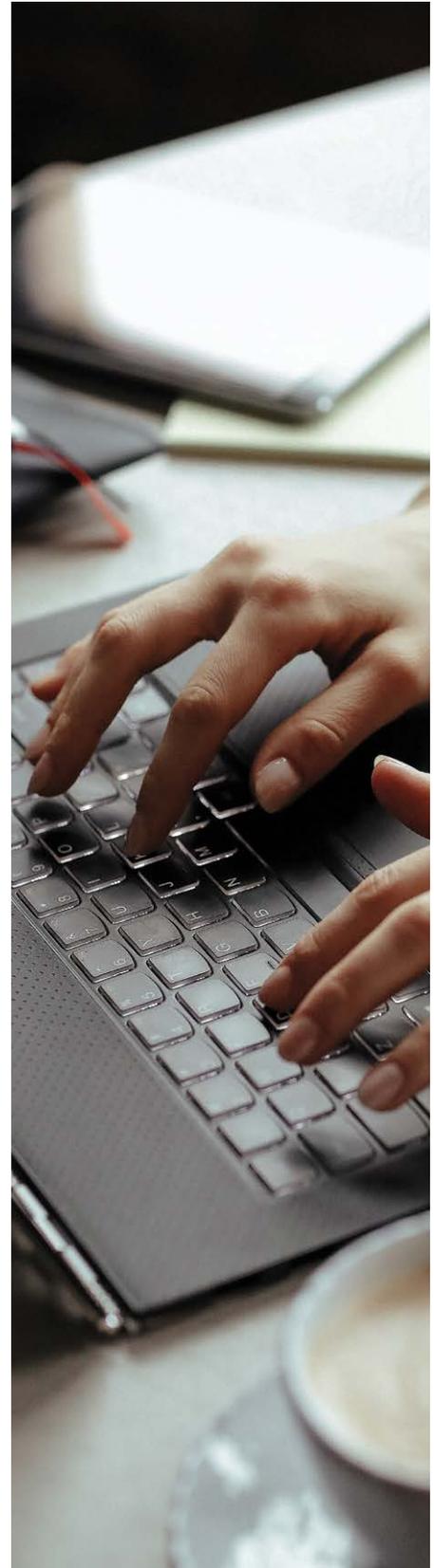
## 9 THIRD PARTY ANTI-FINANCIAL CRIME PROCEDURE

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

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

## 10 GRIEVANCE PROCEDURE

The grievance procedure exists to provide guidance on operational-level grievances between employees. The Human Resources Department manages any grievances confidentially or otherwise, raised to resolve such matters.



## CORPORATE GOVERNANCE OVERVIEW STATEMENT

## PRINCIPLE C: INTEGRITY IN CORPORATE REPORTING AND MEANINGFUL RELATIONSHIPS WITH STAKEHOLDERS

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

BAT Malaysia Group has a dedicated Corporate Finance team that meets with key institutional investors and analysts on a regular basis and responds to inquiries from shareholders.

The timely release of financial results on a quarterly basis provides an up-to-date view of BAT Malaysia Group's performance and operations. Throughout the year, BAT Malaysia conducted two briefings for fund managers, institutional investors, investment analysts and the media. These briefings aim not only to disseminate BAT Malaysia Group's financial results to a broad audience of investors, shareholders and the media but also to keep the investing public and other stakeholders updated on the progress and development of BAT Malaysia Group's business. This is further testimony to BAT Malaysia Group's continued commitment to transparency.

The engagement programme was adapted to leverage digital and physical interactions, enabling more investor contact through a broader range of event formats.

The primary contact for investor relation matters is as follows:

Name : Anthony Yong Mun Seng  
 Designation : Finance Director  
 Email : fdoffice\_malaysia@bat.com

### CONDUCT OF GENERAL MEETINGS

The Company acknowledges that good corporate governance requires the active participation of the shareholders in the decision-making process at the Company's AGM. The AGM is the principal forum for dialogue and communication between the shareholders and the Board. On 3 May 2023, our 62<sup>nd</sup> AGM took place, with shareholders participating remotely. They submitted questions and deliberated on BAT Malaysia's proposed resolutions and operations using the Remote Participation and Voting (RPV) facilities.

All Board members attended the meeting, addressing questions where possible. The Company committed to respond via email to queries not addressed during the AGM within five working days post-event.

Additionally, detailed responses to the questions raised by the Minority Shareholders Watch Group (MSWG) were shared with all shareholders during the 62<sup>nd</sup> AGM.

Shareholders received the Notice of the 62<sup>nd</sup> AGM (Notice) at least 28 days in advance, giving them ample time to either arrange for their participation or appoint proxy(ies) to vote on their behalf. The Notice, published in local newspapers, was also available on the Company's website ([www.batmalaysia.com](http://www.batmalaysia.com)).

A summary of the 62<sup>nd</sup> AGM, highlighting director attendance, shareholders' questions and responses, outcomes of e-voting and replies to MSWG's queries was shared with all shareholders and the public on our website.

### REMOTE E-VOTING

For its 62<sup>nd</sup> AGM, the Company utilised the RPV facilities to facilitate remote e-voting on the resolutions. The remote e-voting processes were explained during the general meeting and the poll results were verified by appointed scrutineers.

### KEY FOCUS AREAS AND FUTURE PRIORITIES

The Board is fully committed to complying with the requirements of the MCCG 2021 and will continue to pursue efforts to address the remaining departures. Though we continue to make strides in our corporate governance journey, the Board recognises that our governance practices will only be as robust as those tasked with their execution.

The Board of Directors approved this Corporate Governance Overview Statement at its meeting held on 22 February 2024.

## STATEMENT ON RISK MANAGEMENT AND INTERNAL CONTROL

### RESPONSIBILITY

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

The Board tasked the Management to identify and assess the risks faced by BAT Malaysia Group and thereafter design, implement and monitor appropriate internal controls to control and mitigate those risks. BAT Malaysia Group has in place a systematic application of processes (outlined below) for identifying, evaluating, monitoring and managing significant risks faced by BAT Malaysia Group and this process includes reviewing and updating the system of internal controls to take into consideration changes in the regulatory, business and external environment. This process is reviewed by the Board via the Audit Committee and the Risk Management Committee. The Audit Committee's responsibilities and duties can be found in the Audit Committee Report section, while the Risk Management Committee's responsibilities are explained in the Risk Management Committee Report section of this Annual Report.

There are inherent limitations to any system of internal controls and the system is set up to manage and minimise impact due to risks rather than completely eliminate risks that may impact the achievement of BAT Malaysia Group's business objectives. Accordingly, it can only provide reasonable but not absolute assurance against material misstatement or loss. The system of internal controls covers, inter alia, financial, operational and compliance controls and risk management procedures.

BAT Malaysia Group's Standards of Business Conduct underpin our commitment to good corporate behaviour and are an integral part of BAT Malaysia Group's system of corporate governance. The Standards of Business Conduct require all employees to act with high standards of business integrity, comply with all applicable laws and regulations and ensure that business standards are not compromised for the sake of results. Our Standards of Business Conduct are made available to our stakeholders and employees on our corporate website at [www.batmalaysia.com](http://www.batmalaysia.com).

### ENTERPRISE RISK MANAGEMENT

TABLE 1: OBJECTIVES

Preserve the safety and health of BAT Malaysia Group's employees.

Ensure the continuity of BAT Malaysia Group's products to consumers and customers at all times.

Protect BAT Malaysia Group's assets and reputation.

Ensure that BAT Malaysia Group's operations do not impact negatively on the community in which it operates and the environment.

Protect the interests of all stakeholders.

Promote a risk awareness culture where risk management is an integral aspect of BAT Malaysia Group's management systems.

Ensure compliance to all applicable laws, the Malaysian Code of Corporate Governance and BAT p.l.c. guidelines.

## STATEMENT ON RISK MANAGEMENT AND INTERNAL CONTROL



### Risk Management Committee

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

### Risk Management Team

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

TABLE 2: RISK MANAGEMENT TEAM RESPONSIBILITIES

Steer BAT Malaysia Group's enterprise risk management programme.
Promote a proactive risk awareness culture in BAT Malaysia Group.
Review and assess BAT Malaysia Group's risks formally twice during the year.
Coordinate the development and implementation of risk mitigation action plans.
Develop and update business continuity plans for key business risks.
Plan and coordinate the testing of business continuity plans.
Organise training and education for employees on risk management.

## STATEMENT ON RISK MANAGEMENT AND INTERNAL CONTROL

**Four-phase Enterprise Risk Management Process (Figure 1)****(1) Risk Identification**

All potential events that could adversely impact the achievement of business objectives, including failure to capitalise on opportunities, are identified.

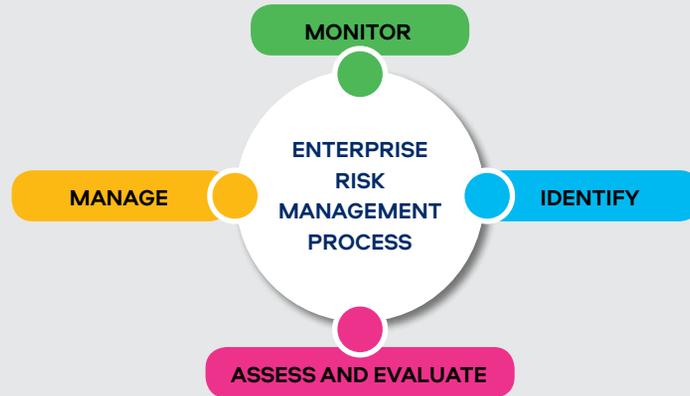
**(2) Risk Assessment and Evaluation**

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

- LIKELIHOOD of the risks crystallising
- IMPACT of the consequence

Assessment against a set of pre-specified criteria on a scale of 1 to 3 is completed for both Likelihood and Impact, the combination of which provides the total risk rating, ranging from 1 to 9. Risks are then categorised on a Risk Heat Map, which maps the significance of the risks to BAT Malaysia Group and determines the relative prioritisation and focus for risk mitigation.

The outcome of the risk identification and evaluation process is both a Risk Heat Map and a comprehensive risk register that documents all identified business risks.

**FIGURE 1: ENTERPRISE RISK MANAGEMENT PROCESS****FIGURE 2: RISK HEAT MAP**

## STATEMENT ON RISK MANAGEMENT AND INTERNAL CONTROL

**(3) Risk Management**

In completing the risk register, risk owners are responsible for identifying action plans to manage and mitigate the risks, together with a timeline for completion of the actions. The risk owners are senior managers of BAT Malaysia Group.

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

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

**(4) Risk Monitoring**

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

**FIGURE 3: STRUCTURE OF CRISIS MANAGEMENT**

## STATEMENT ON RISK MANAGEMENT AND INTERNAL CONTROL

**BUSINESS CONTINUITY AND CRISIS MANAGEMENT**

Business Continuity is defined as the strategic and tactical capability of BAT Malaysia Group to plan for and respond to incidents and business disruptions to continue business operations at an acceptable pre-defined level to avoid negative impact on the business.

In 2023, BAT Malaysia Group had 16 Business Continuity Plans (BCPs) in place to manage the various potential disruptions that could impact BAT Malaysia Group. Examples are the Office Recovery Plan, Finished Goods Contingency Plan, IT Recovery Plan, Loss of Key Personnel Plan and Pandemic Plan.

These plans were developed and updated for content by the owners on an annual basis. In addition, desktop reviews/simulations were planned and conducted by the respective Functional Continuity Managers who are owners of the various BCPs with the support of the Crisis Response Team members periodically, based on the cyclical testing schedule. The reviews and simulations indicated that the existing plans were still relevant to the current business environment.

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

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

**KEY RISKS TO BAT MALAYSIA GROUP**

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

1. Threat from illegal trade for tobacco
2. Adverse tobacco and vapour regulations
3. Accelerated market reduction and downtrading

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

**2023 RISK MANAGEMENT ACTIVITIES****Review of BAT Malaysia Group's Risks**

The Risk Management Team reviewed and assessed BAT Malaysia Group's risks formally twice during the year, in January and June 2023. The responsibilities of the Risk Management Team can be found on page 126.

On a monthly basis, the Chief Risk Officer provided updates on the status of the BCPs testing and highlighted any key threats to the internal controls of BAT Malaysia Group to the Leadership Team.

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

**Promotion of Risk Awareness**

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

During the year, company-wide risk and control awareness communications were cascaded and department huddles conducted regularly for all employees throughout the nation. The objectives of the communications and huddles were to raise risk and control awareness within BAT Malaysia Group and to drive compliance of controls and adherence to risk mitigation plans.

**Significant Risk Mitigation Activities**

There were no significant risk mitigation activities required to be carried out in 2023.

**SYSTEM OF INTERNAL CONTROL****Control Self-Assessment (CSA) Process**

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

The self-assessment is carried out via an SAP-enabled tool, which provides a standardised central solution that automates and monitors key risks and controls at business level. The tool allows the business to use a combination of automated workflows, certification, manual controls and interactive reports to monitor control and compliance activities across BAT Malaysia Group. This has resulted in an improved visibility of assessment throughout the business, improved transparency of issues management and remediation, together with streamlining reporting.

STATEMENT ON RISK MANAGEMENT AND INTERNAL CONTROL

In 2023, BAT Malaysia Group's Control Navigator was refreshed and updated.

**Financial Reporting Controls**

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

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

**Information Technology (IT)**

BAT Malaysia Group's Information Technology (IT) security programme is centred around the 'Predict, Prevent, Detect and Respond' framework, where each step in the cycle plays a role in decreasing the risk of information security failure or attack (as per Figure 4).

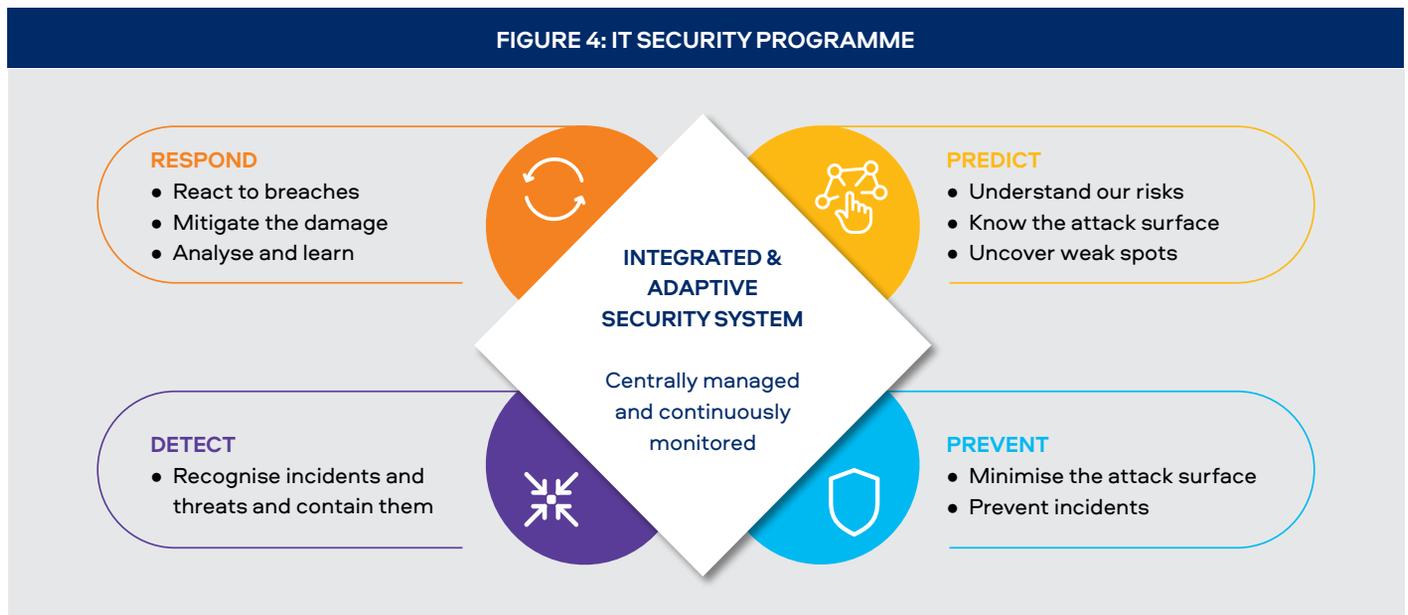
BAT Malaysia Group, with the assistance of professional information security companies, can predict the higher occurrence of any information security threats and with that implement prevention activities and controls to prevent or mitigate the likelihood of an attack. The preventive activities cover technology hygiene in terms of compliance with recognised industry security standards for system configuration, continuous testing to ensure readiness of recovery action and training users to avoid being compromised by social-based attacks.

The next step in the IT security programme is detection, where technical controls are put in place to detect anomalies. After thorough assessment, BAT Malaysia Group then responds by reacting to the breaches and mitigating any resulting damages.

**Internal Audit**

The role of Internal Audit for BAT Malaysia Group is fulfilled through the Global Audit function of BAT Group Internal Audit. This approach ensures a high level of independence and gives access to more skilled and specialised resources than would otherwise be available within BAT Malaysia Group. A permanent invitee from the Global Audit function attends Audit Committee meetings and is the liaison between the Audit Committee and Global Audit. The annual audit planning cycle takes direct input from both the risk register described above and the Audit Committee. In turn, the Audit Committee formally approves the scope of work for the year. Furthermore, the Audit Committee can request immediate assistance from Global Audit for any matter it considers appropriate.

**FIGURE 4: IT SECURITY PROGRAMME**



## STATEMENT ON RISK MANAGEMENT AND INTERNAL CONTROL

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

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

More details on the audit activities conducted during the year can be found in the Audit Committee Report in this report.

#### External Audit

In the course of conducting the annual statutory audit of BAT Malaysia Group's consolidated financial statements, the external auditors review and, where applicable, based on judgement, will highlight any significant audit, accounting and internal control matters that require attention of the Board and the Audit Committee. Results of the findings on the above are reported to the Audit Committee and the Management once a year post substantial completion of the year-end audit. Additionally, the external auditors attend the quarterly Audit Committee meetings and, where applicable, will provide views on any related matters for the attention of the Audit Committee. At least twice a year, the Audit Committee meets the external auditors without the Executive Directors and Management being present. This year, the Audit Committee have met twice with the external auditors without the Executive Directors and the Management being present.

#### Other Key Elements of the System of Internal Control

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

#### a. Policies, Procedures and Limits of Authority

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

#### b. Immediately Reportable Incidents (IRIs)

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

#### c. Strategic Business Plan, Budget and Performance Review

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

#### d. Insurance and Physical Safeguard

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

## STATEMENT ON RISK MANAGEMENT AND INTERNAL CONTROL

## Sarbanes-Oxley Act

As a result of the acquisition of Reynolds American Incorporated (RAI), BAT p.l.c. is subject to US securities law, including the Sarbanes-Oxley Act of 2002 (the Act). BAT p.l.c. has assigned the 11 sections of the Act to respective functional owners as stipulated below:

<b>Public Company Accounting Oversight Board (PCAOB)</b> <i>Indirect impact</i> <span style="font-size: 2em; font-weight: bold;">1</span>	<b>Auditor Independence</b> <i>Internal Audit</i> <span style="font-size: 2em; font-weight: bold;">2</span>	<b>Corporate Responsibility</b> <i>Finance, Human Resources (HR) and Legal and External Affairs (LEX)</i> <span style="font-size: 2em; font-weight: bold;">3</span>
<b>Enhanced Financial Disclosure</b> <i>Finance and LEX</i> <span style="font-size: 2em; font-weight: bold;">4</span>	<b>Analyst Conflicts of Interest</b> <i>No impact</i> <span style="font-size: 2em; font-weight: bold;">5</span>	<b>Commission Resources and Authority</b> <i>No impact</i> <span style="font-size: 2em; font-weight: bold;">6</span>
<b>Studies and Reports</b> <i>No impact</i> <span style="font-size: 2em; font-weight: bold;">7</span>	<b>Corporate and Criminal Fraud Accountability</b> <i>LEX</i> <span style="font-size: 2em; font-weight: bold;">8</span>	<b>White-Collar Crime Penalty Enhancements</b> <i>LEX</i> <span style="font-size: 2em; font-weight: bold;">9</span>
<b>Corporate Tax Returns</b> <i>Tax</i> <span style="font-size: 2em; font-weight: bold;">10</span>	<b>Corporate Fraud and Accountability</b> <i>LEX and HR</i> <span style="font-size: 2em; font-weight: bold;">11</span>	

BAT Malaysia Group has continued to adopt the framework designed by BAT p.l.c. during the year. BAT Malaysia Group, being part of BAT p.l.c., is required to implement additional internal controls and procedures to deliver a heightened control environment.

## CONTROL MATTERS

No significant deficiency or material weakness was reported in 2023.

## BOARD ASSESSMENT

The Board is of the view that BAT Malaysia Group's overall risk management and internal control system is operating adequately and effectively and has received the same assurance from both the Managing Director and Finance Director of BAT Malaysia Group. The Board confirms that the risk management process in identifying, evaluating and managing significant risks faced by BAT Malaysia Group has been in place throughout 2023 and up to the date of approval of this statement. The Board is also of the view that BAT Malaysia Group's system of internal control is robust and is able to detect any material losses, contingencies or uncertainties that would require disclosure in BAT Malaysia Group's 2023 Annual Report.

This Statement is made in accordance with the resolution of the Board of Directors on 22 February 2024.

## REVIEW OF THE STATEMENT BY EXTERNAL AUDITORS

The external auditors have reviewed this Statement on Risk Management and Internal Control pursuant to the scope set out in Audit and Assurance Practice Guide (AAPG) 3, *Guidance for Auditors on Engagements to Report on the Statement on Risk Management and Internal Control included in the Annual Report* issued by the Malaysian Institute of Accountants (MIA) for inclusion in the annual report of BAT Malaysia Group for the year ended 31 December 2023 and reported to the Board that nothing has come to their attention that causes them to believe that the statement intended to be included in the annual report of BAT Malaysia Group, in all material respects:

- (a) has not been prepared in accordance with the disclosures required by paragraphs 41 and 42 of the Statement on Risk Management and Internal Control: Guidelines for Directors of Listed Issuers, or
- (b) is factually inaccurate.

Audit and Assurance Practice Guide (AAPG) 3 does not require the external auditors to consider whether the Directors' Statement on Risk Management and Internal Control covers all risks and controls, or to form an opinion on the adequacy and effectiveness of BAT Malaysia Group's risk management and internal control system including the assessment and opinion by the Board of Directors and Management thereon. The auditors are also not required to consider whether the processes described to deal with material internal control aspects of any significant problems disclosed in the annual report will, in fact, remedy the problems.

## OTHER COMPLIANCE INFORMATION

### 1. UTILISATION OF PROCEEDS

There were no proceeds raised by the Company from any corporate proposal during the financial year ended 31 December 2023.

### 2. AUDIT AND NON-AUDIT FEES

The amount of audit fees paid or payable to the external auditors, KPMG PLT, for services rendered to BAT Malaysia Group for the financial year ended 31 December 2023, are as follows:

	Company (RM)	Group (RM)
Audit fees	417,500	570,500
Non-Audit fees	248,000	248,000

### 3. MATERIAL CONTRACTS INVOLVING DIRECTORS AND MAJOR SHAREHOLDERS' INTERESTS

There were no material contracts entered into by BAT Malaysia Group involving Directors and Major Shareholders' interests, either still subsisting at the end of the financial year ended 31 December 2023 or, if not then subsisting, entered into since the end of the previous financial year.

### 4. RECURRENT RELATED PARTY TRANSACTIONS OF A REVENUE OR TRADING NATURE

During BAT Malaysia's Sixty-Second (62<sup>nd</sup>) Annual General Meeting held on 3 May 2023, BAT Malaysia Group had obtained a renewal and new Recurrent Related Party Transaction (Recurrent RPTs) mandate with certain related parties (as defined in the Circular to Shareholders dated 4 April 2023). The Recurrent RPTs conducted during the financial year ended 31 December 2023 pursuant to the said mandate are disclosed in pages 206 to 208 of this Report.



# FINANCIAL PERFORMANCE

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## DIRECTORS' RESPONSIBILITY STATEMENT

The Directors are required by the Companies Act 2016 (the Act) to prepare the financial statements for each financial year which have been made out in accordance with the provisions of the Act and the applicable approved accounting standards set out by Malaysian Accounting Standards Board so as to give a true and fair view of the state of affairs of the Group and the Company at the end of the financial year as well as of the results and cash flows of the Group and the Company for the financial year.

In preparing the financial statements, the Directors are satisfied that the applicable approved accounting standards in Malaysia have been complied with and reasonable and prudent judgments and estimates have been made.

The Directors are responsible to ensure that the Group and the Company keep accounting records which disclose the financial position of the Group and the Company with reasonable accuracy, enabling them to ensure that the financial statements comply with the Act.

The Directors have overall responsibility for taking such steps necessary to safeguard the assets of the Group and to prevent and detect fraud and other irregularities.

## DIRECTORS' REPORT

FOR THE YEAR ENDED 31 DECEMBER 2023

The Directors have pleasure in submitting their report to the members together with the audited financial statements of the Group and of the Company for the financial year ended 31 December 2023.

### Principal Activities

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

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

### Results

	Group RM'000	Company RM'000
Profit for the year attributable to Shareholders of the Company	194,748	234,142

### Reserves and Provisions

There were no material transfers to or from reserves and provisions during the financial year under review except as disclosed in Note 18 in the financial statements.

### Dividends

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

- i) fourth interim ordinary dividend of 21 sen per ordinary share totalling RM59,961,300 in respect of the financial year ended 31 December 2022 on 7 March 2023.
- ii) first interim ordinary dividend of 13 sen per ordinary share totalling RM37,118,900 in respect of the financial year ended 31 December 2023 on 26 June 2023.
- iii) second interim ordinary dividend of 16 sen per ordinary share totalling RM45,684,800 in respect of the financial year ended 31 December 2023 on 22 August 2023.
- iv) third interim ordinary dividend of 19 sen per ordinary share totalling RM54,250,700 in respect of the financial year ended 31 December 2023 on 28 November 2023.

The Directors declared a fourth interim ordinary dividend of 15 sen per ordinary share at the Board of Directors' meeting on 6 February 2024 amounting to RM42,829,500 in respect of the financial year ended 31 December 2023 which will be paid on 5 March 2024 to shareholders registered in the Company's Register of Members at the close of business on 21 February 2024. The financial statements for the year ended 31 December 2023 do not reflect the fourth interim ordinary dividend which will be accounted for in the financial year ending 31 December 2024.

The Board of Directors do not recommend the payment of a final dividend in respect of the financial year ended 31 December 2023.

DIRECTORS' REPORT  
FOR THE YEAR ENDED 31 DECEMBER 2023

### Directors of the Company

Directors who served during the financial year until the date of this report are:

Tan Sri Dato' Seri Dr. Aseh Bin Haji Che Mat (Chairman)  
Dato' Chan Choon Ngai  
Datuk Lee Oi Kuan (f)  
Eric Ooi Lip Aun  
Nedal Louay Salem  
Anthony Yong Mun Seng\*\*  
Norliza Binti Kamaruddin (f)

\*\* This Director is also Director of the Company's subsidiaries.

The name of the Directors of the Company's subsidiaries in office since the beginning of the financial year to the date of this report are:

C.K. Remeena A/P C.K. Prabhakaran (f)  
Darren John Corby (Appointed on 1 September 2023)  
Michael Tan Heng Chai (Resigned on 1 April 2023)  
Bryce Matthew Green (Resigned on 1 September 2023)  
Rohan Gnanaganesan (Resigned on 1 September 2023)

### Directors' Interests in Shares

The interests in the ordinary shares and share options of the Company and of its related corporations of those who were Directors at the end of the financial year as recorded in the Register of Directors' Shareholdings are as follows:

	Number of ordinary shares			At 31.12.2023
	At 1.1.2023	Bought	Sold	
<b>Company</b>				
Shareholdings in the name of the Director:				
Dato' Chan Choon Ngai	1,000	-	-	1,000
Datuk Lee Oi Kuan (f)	100	-	-	100

	Number of ordinary shares in British American Tobacco p.l.c.			At 31.12.2023
	At 1.1.2023	Bought	Sold	
<b>Ultimate Holding Company</b>				
- British American Tobacco p.l.c.				
Shareholdings in the name of the Director:				
Datuk Lee Oi Kuan (f)	35,023	3,006	-	38,029
Nedal Louay Salem	49,000	6,000	-	55,000
Anthony Yong Mun Seng	276	657	-	933

DIRECTORS' REPORT  
FOR THE YEAR ENDED 31 DECEMBER 2023

**Directors' Interests in Shares (continued)**

	Number of ordinary shares in British American Tobacco p.l.c.			At 31.12.2023
	At 1.1.2023	Awarded	Vested	
<b>Ultimate Holding Company</b>				
- British American Tobacco p.l.c.				
Deferred Share Bonus Scheme & International Share Reward Scheme				
Shareholdings in the name of the Director:				
Nedal Louay Salem	5,765	2,499	(1,997)	6,267
Anthony Yong Mun Seng	3,438	1,648	(1,184)	3,902

	Number of options in ordinary shares in British American Tobacco p.l.c.			At 31.12.2023
	At 1.1.2023	Granted	Exercised	
<b>Ultimate Holding Company</b>				
- British American Tobacco p.l.c.				
Long-Term Incentive Plan (LTIP)				
Shareholdings in the name of the Director:				
Nedal Louay Salem				
LTIP (30 March 2030)	1,986	-	(1,986)	-
LTIP (29 March 2031)	1,942	-	-	1,942
LTIP (25 March 2032)	7,146	-	-	7,146
LTIP (22 March 2033)	-	8,372	-	8,372
Anthony Yong Mun Seng				
LTIP (25 March 2032)	1,924	-	-	1,924
LTIP (22 March 2033)	-	2,078	-	2,078

Some of the shares and options in the ultimate holding company held by Directors arose as a result of the Directors' participation in the employee share schemes offered by British American Tobacco p.l.c. (British American Tobacco p.l.c. indirectly through British American Tobacco Holdings (Malaysia) B.V., owns fifty percent equity interest in the Company and is the Company's ultimate holding company). Further details on the employee share schemes offered by British American Tobacco p.l.c. are provided in Note 22 to the financial statements.

DIRECTORS' REPORT  
FOR THE YEAR ENDED 31 DECEMBER 2023

### Directors' Benefits

Since the end of the previous financial year, no Director has received nor become entitled to receive any benefit (other than those shown below) by reason of a contract made by the Company or a related corporation with the Director or with a firm of which the Director is a member, or with a company in which the Director has a substantial financial interest.

The Directors' benefits paid to or receivable by Directors in respect of the financial year ended 31 December 2023 are as follows:

	<b>From the Company RM'000</b>
<hr/>	
Directors of the Company:	
Fees	775
Other emoluments	5,883
	<b>6,658</b>

During and at the end of the financial year, no arrangements subsisted to which the Company is a party, being arrangements with the object or objects of enabling Directors of the Company to acquire benefits by means of the acquisition of shares in, or debentures of the Company or any other body corporate pursuant to requirements under the Companies Act 2016, other than as may arise from equity-settled share-based compensation plans offered by British American Tobacco p.l.c. (British American Tobacco p.l.c. is the ultimate holding company) as disclosed in Note 22 to the financial statements.

### Issue of Shares and Debentures

There were no changes in the issued and paid-up capital of the Company during the financial year. There were no debentures issued during the financial year.

### Options Granted over Unissued Shares

No options were granted to any person to take up unissued shares of the Company during the financial year.

### Indemnity and Insurance Costs

During the financial year, Directors and Officers of the Group are covered under the Directors' and Officers' Liability Insurance in respect of liabilities arising from acts committed in their respective capacities as, inter alia, Directors and Officers of the Group subject to the terms of the policy. The total premiums paid and indemnity coverage in respect of Directors' and Officers' Liability Insurance for the Directors and Officers of the Group were RM12,680 and RM4,781,496 respectively.

There were no indemnity and insurance costs effected for auditors of the Group and of the Company during the financial year.

### Other Statutory Information

Before the financial statements of the Group and of the Company were made out, the Directors took reasonable steps to ascertain that:

- i) all known bad debts had been written off and that adequate provision had been made for doubtful debts; and
- ii) any current assets which were unlikely to be realised in the ordinary course of business have been written down to an amount which they might be expected so to realise.

DIRECTORS' REPORT  
FOR THE YEAR ENDED 31 DECEMBER 2023

**Other Statutory Information (continued)**

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

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

At the date of this report, there does not exist:

- i) any charge on the assets of the Group or of the Company that has arisen since the end of the financial year and which secures the liability of any other person; or
- ii) any contingent liability in respect of the Group or of the Company which has arisen since the end of the financial year.

No contingent liability or other liability of any company in the Group has become enforceable, or is likely to become enforceable within the period of twelve months after the end of the financial year which, in the opinion of the Directors, will or may substantially affect the ability of the Group and of the Company to meet their obligations as and when they fall due.

In the opinion of the Directors, the financial performance of the Group and of the Company for the financial year ended 31 December 2023 have not been substantially affected by any item, transaction or event of a material and unusual nature nor has any such item, transaction or event occurred in the interval between the end of that financial year and the date of this report.

**Holding Companies**

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

DIRECTORS' REPORT  
FOR THE YEAR ENDED 31 DECEMBER 2023

**Auditors**

The auditors, KPMG PLT, have indicated their willingness to continue in office. The Directors had endorsed the recommendation of the Audit Committee for KPMG PLT to be re-appointed as auditors.

The auditors' remuneration of the Group and of the Company during the year are RM818,500 and RM665,500 respectively as disclosed in Note 4 to the financial statements.

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

**Nedal Louay Salem**  
Managing Director

**Anthony Yong Mun Seng**  
Finance Director

Kuala Lumpur

Date: 22 February 2024

## STATEMENTS OF PROFIT OR LOSS

FOR THE YEAR ENDED 31 DECEMBER 2023

	Note	Group		Company	
		2023 RM'000	2022 RM'000	2023 RM'000	2022 RM'000
<b>Revenue</b>	3	2,310,999	2,596,574	247,398	275,715
Cost of sales		(1,742,965)	(1,918,614)	-	-
<b>Gross profit</b>		568,034	677,960	247,398	275,715
Other operating income		1,103	3,931	358	709
Distribution and marketing costs		(159,076)	(159,861)	-	-
Administrative expenses		(93,622)	(96,158)	(3,786)	(3,092)
Other operating expenses		(35,807)	(18,783)	-	-
<b>Profit from operations</b>		280,632	407,089	243,970	273,332
Finance costs		(24,293)	(21,677)	(8,414)	(6,920)
<b>Profit before tax</b>	4	256,339	385,412	235,556	266,412
Tax expense	7	(61,591)	(122,893)	(1,414)	(1,911)
<b>Profit for the year</b>		194,748	262,519	234,142	264,501

The notes on pages 152 to 208 are an integral part of these financial statements.

**STATEMENTS OF OTHER COMPREHENSIVE INCOME**

FOR THE YEAR ENDED 31 DECEMBER 2023

	Note	Group		Company	
		2023 RM'000	2022 RM'000	2023 RM'000	2022 RM'000
<b>Profit for the year</b>		194,748	262,519	234,142	264,501
<b>Other comprehensive income/(expense), net of tax:</b>					
<b>Items that may be subsequently reclassified to profit or loss</b>					
- changes in fair value of cash flow hedges	20	3,541	648	-	-
- deferred tax on fair value changes on cash flow hedges	14	(850)	(154)	-	-
<b>Total other comprehensive income for the financial year, net of tax</b>		2,691	494	-	-
<b>Total comprehensive income for the financial year</b>		197,439	263,013	234,142	264,501
<b>Profit attributable to:</b>					
Shareholders of the Company		194,748	262,519	234,142	264,501
<b>Total comprehensive income for the financial year attributable to:</b>					
Shareholders of the Company		197,439	263,013	234,142	264,501
<b>Basic earnings per ordinary share (sen)</b>	8	68.2	91.9		

The notes on pages 152 to 208 are an integral part of these financial statements.

## STATEMENTS OF FINANCIAL POSITION

AS AT 31 DECEMBER 2023

	Note	Group		Company	
		2023 RM'000	2022 RM'000	2023 RM'000	2022 RM'000
<b>Assets</b>					
Property, plant and equipment	10	65,692	56,282	18,907	24,822
Computer software	11	1,311	3,027	-	-
Goodwill	12	411,618	411,618	-	-
Subsidiaries	13	-	-	723,395	723,395
Deferred tax assets	14	6,587	7,812	2,603	1,583
<b>Total non-current assets</b>		<b>485,208</b>	<b>478,739</b>	<b>744,905</b>	<b>749,800</b>
Inventories	15	32,570	55,975	-	-
Tax recoverable		2,321	2,171	877	-
Trade and other receivables	16	625,920	803,772	2,485	12,446
Derivative financial instruments	20	4,950	1,928	-	-
Cash and bank balances		27,849	16,636	21,051	6,464
<b>Total current assets</b>		<b>693,610</b>	<b>880,482</b>	<b>24,413</b>	<b>18,910</b>
<b>Total assets</b>		<b>1,178,818</b>	<b>1,359,221</b>	<b>769,318</b>	<b>768,710</b>
<b>Equity</b>					
Share capital		142,765	142,765	142,765	142,765
Cash flow hedge reserve		2,855	164	-	-
Retained earnings		231,939	234,207	364,731	327,605
<b>Total equity attributable to the owners of the Company</b>	17	<b>377,559</b>	<b>377,136</b>	<b>507,496</b>	<b>470,370</b>
<b>Liabilities</b>					
Lease liabilities	21	34,136	21,644	7,904	13,324
<b>Total non-current liabilities</b>		<b>34,136</b>	<b>21,644</b>	<b>7,904</b>	<b>13,324</b>
Trade and other payables	18	206,977	212,264	247,900	278,793
Borrowings	19	543,000	695,000	-	-
Derivative financial instruments	20	809	1,606	-	-
Lease liabilities	21	14,529	12,118	6,018	4,818
Current tax liabilities		1,808	39,453	-	1,405
<b>Total current liabilities</b>		<b>767,123</b>	<b>960,441</b>	<b>253,918</b>	<b>285,016</b>
<b>Total liabilities</b>		<b>801,259</b>	<b>982,085</b>	<b>261,822</b>	<b>298,340</b>
<b>Total equity and liabilities</b>		<b>1,178,818</b>	<b>1,359,221</b>	<b>769,318</b>	<b>768,710</b>

The notes on pages 152 to 208 are an integral part of these financial statements.

**CONSOLIDATED STATEMENT OF CHANGES IN EQUITY**

FOR THE YEAR ENDED 31 DECEMBER 2023

	Note	← Non-distributable →			Distributable	Total RM'000
		Share capital RM'000	Cash flow hedge reserve RM'000	Share-based payment reserve RM'000	Retained earnings RM'000	
<b>Group</b>						
<b>At 1 January 2023</b>		142,765	164	-	234,207	377,136
Profit for the year		-	-	-	194,748	194,748
Other comprehensive income/ (expense):						
- changes in fair value of cash flow hedges	20	-	3,541	-	-	3,541
- deferred tax on fair value changes on cash flow hedges	14	-	(850)	-	-	(850)
<b>Total comprehensive income</b>		-	2,691	-	194,748	197,439
Transactions with shareholders:						
Expense arising from equity- settled share-based payment transactions	22	-	-	2,524	-	2,524
Recharge of share-based payments	22	-	-	(2,524)	-	(2,524)
Dividend for financial year ended 31 December 2022						
- fourth interim	9	-	-	-	(59,961)	(59,961)
Dividends for financial year ended 31 December 2023						
- first interim	9	-	-	-	(37,119)	(37,119)
- second interim	9	-	-	-	(45,685)	(45,685)
- third interim	9	-	-	-	(54,251)	(54,251)
Total transactions with shareholders of the Company		-	-	-	(197,016)	(197,016)
<b>At 31 December 2023</b>		142,765	2,855	-	231,939	377,559

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY  
FOR THE YEAR ENDED 31 DECEMBER 2023  
(CONTINUED)

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

The notes on pages 152 to 208 are an integral part of these financial statements.

**STATEMENT OF CHANGES IN EQUITY**

FOR THE YEAR ENDED 31 DECEMBER 2023

	Note	← Non-distributable →		Distributable	Total RM'000
		Share capital RM'000	Share-based payment reserve RM'000	Retained earnings RM'000	
<b>Company</b>					
<b>At 1 January 2023</b>		142,765	-	327,605	470,370
Profit for the year		-	-	234,142	234,142
<b>Total comprehensive income</b>		-	-	234,142	234,142
Transactions with shareholders:					
Expense arising from equity-settled share-based payment transactions	22	-	1,980	-	1,980
Recharge of share-based payments	22	-	(1,980)	-	(1,980)
Dividend for financial year ended 31 December 2022					
- fourth interim	9	-	-	(59,961)	(59,961)
Dividends for financial year ended 31 December 2023					
- first interim	9	-	-	(37,119)	(37,119)
- second interim	9	-	-	(45,685)	(45,685)
- third interim	9	-	-	(54,251)	(54,251)
<b>Total transactions with shareholders of the Company</b>		-	-	(197,016)	(197,016)
<b>At 31 December 2023</b>		142,765	-	364,731	507,496

STATEMENT OF CHANGES IN EQUITY  
FOR THE YEAR ENDED 31 DECEMBER 2023  
(CONTINUED)

	Note	← Non-distributable →		Distributable	Total RM'000
		Share capital RM'000	Share-based payment reserve RM'000	Retained earnings RM'000	
<b>Company</b>					
<b>At 1 January 2022</b>		142,765	-	331,503	474,268
Profit for the year		-	-	264,501	264,501
<b>Total comprehensive income</b>		-	-	264,501	264,501
Transactions with shareholders:					
Expense arising from equity-settled share-based payment transactions	22	-	1,927	-	1,927
Recharge of share-based payments	22	-	(1,927)	-	(1,927)
Dividend for financial year ended 31 December 2021					
- fourth interim	9	-	-	(77,093)	(77,093)
Dividends for financial year ended 31 December 2022					
- first interim	9	-	-	(48,540)	(48,540)
- second interim	9	-	-	(71,383)	(71,383)
- third interim	9	-	-	(71,383)	(71,383)
<b>Total transactions with shareholders of the Company</b>		-	-	(268,399)	(268,399)
<b>At 31 December 2022</b>		142,765	-	327,605	470,370

The notes on pages 152 to 208 are an integral part of these financial statements.

**STATEMENTS OF CASH FLOWS**

FOR THE YEAR ENDED 31 DECEMBER 2023

	Note	Group		Company	
		2023 RM'000	2022 RM'000	2023 RM'000	2022 RM'000
<b>Operating activities</b>					
Profit before tax		256,339	385,412	235,556	266,412
Adjustments for:					
- non-cash items		18,776	29,203	7,234	7,123
- interest income		(623)	(781)	(623)	(781)
- interest expense		24,293	21,677	8,414	6,920
Changes in working capital:					
- inventories		25,632	108,267	-	-
- trade and other receivables		177,242	(80,392)	10,003	3,680
- trade and other payables		(6,103)	19,244	(31,007)	(291)
<b>Cash from operations</b>		<b>495,556</b>	<b>482,630</b>	<b>229,577</b>	<b>283,063</b>
Income tax paid		(99,011)	(108,629)	(4,716)	(407)
<b>Net cash flow from operating activities</b>		<b>396,545</b>	<b>374,001</b>	<b>224,861</b>	<b>282,656</b>
<b>Investing activities</b>					
Property, plant and equipment	10				
- additions		(1,210)	(10,262)	-	(1,632)
- disposals		2,208	11,279	-	-
Addition of computer software	11	-	(880)	-	-
Interest income received		623	781	623	781
<b>Net cash flow from/(used in) investing activities</b>		<b>1,621</b>	<b>918</b>	<b>623</b>	<b>(851)</b>
<b>Financing activities</b>					
Dividends paid to shareholders	9	(197,016)	(268,399)	(197,016)	(268,399)
Interest expense paid on borrowings		(22,871)	(20,677)	(7,919)	(6,353)
Net repayment of borrowings	19	(152,000)	(80,000)	-	-
Repayment to subsidiary	18	-	-	-	(14,199)
Payment on lease liabilities	21	(13,644)	(10,034)	(5,466)	(4,416)
Interest paid in relation to lease liabilities		(1,422)	(1,000)	(496)	(567)
<b>Net cash flow used in financing activities</b>		<b>(386,953)</b>	<b>(380,110)</b>	<b>(210,897)</b>	<b>(293,934)</b>
Net increase/(decrease) in cash and bank balances		11,213	(5,191)	14,587	(12,129)
Cash and bank balances at 1 January		16,636	21,827	6,464	18,593
<b>Cash and bank balances at 31 December</b>		<b>27,849</b>	<b>16,636</b>	<b>21,051</b>	<b>6,464</b>

STATEMENTS OF CASH FLOWS  
FOR THE YEAR ENDED 31 DECEMBER 2023  
(CONTINUED)

(a) Cash outflows for leases as a lessee

	Note	Group		Company	
		2023 RM'000	2022 RM'000	2023 RM'000	2022 RM'000
<b>Included in net cash from operating activities:</b>					
Payment relating to short-term leases	4	1,272	1,425	-	-
<b>Included in net cash from financing activities:</b>					
Interest paid in relation to lease liabilities	4	1,422	1,000	496	567
Payment of lease liabilities		13,644	10,034	5,466	4,416
<b>Total cash outflows for leases</b>		<b>16,338</b>	<b>12,459</b>	<b>5,962</b>	<b>4,983</b>

The notes on pages 152 to 208 are an integral part of these financial statements

## NOTES TO THE FINANCIAL STATEMENTS

British American Tobacco (Malaysia) Berhad is a public limited liability company, incorporated and domiciled in Malaysia and is listed on the Main Market of Bursa Malaysia Securities Berhad. The address of the registered office and principal place of business of the Company is as follows:

### Registered Office and Principal Place of Business

Level 19, Guoco Tower  
Damansara City  
No. 6 Jalan Damanlela  
Bukit Damansara  
50490 Kuala Lumpur

The consolidated financial statements of the Company as at and for the financial year ended 31 December 2023 comprise the Company and its subsidiaries (together referred to as the “Group” and individually referred to as “Group entities”).

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

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

These financial statements were authorised for issue by the Board of Directors on 22 February 2024.

### 1. Basis of Preparation

#### (a) Statement of Compliance

The financial statements of the Group and of the Company have been prepared in accordance with Malaysian Financial Reporting Standards (“MFRSs”), IFRS Accounting Standards as issued by the International Accounting Standards Board (“IFRS Accounting Standards”) and the requirements of the Companies Act 2016 in Malaysia.

The following are accounting standards, interpretations and amendments of the MFRSs that have been issued by the Malaysian Accounting Standards Board (“MASB”) but have not been adopted by the Group and the Company:

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

- MFRS 16, *Leases – Lease Liability in a Sale and Leaseback*
- Amendments to MFRS 101, *Presentation of Financial Statements – Non-current Liabilities with Covenants and Classification of Liabilities as Current or Non-current*
- Amendments to MFRS 107, *Statement of Cash Flows* and MFRS 7, *Financial Instruments: Disclosures – Supplier Finance Arrangements*

#### ***MFRSs, interpretations and amendments effective for annual periods beginning on or after 1 January 2025***

- Amendment to MFRS 121, *The Effects of Changes in Foreign Exchange Rates – Lack of Exchangeability*

## NOTES TO THE FINANCIAL STATEMENTS

**1. Basis of Preparation (continued)****(a) Statement of Compliance (continued)*****MFRSs, interpretations and amendments effective for annual periods beginning on or after a date yet to be confirmed***

- Amendments to MFRS 10, *Consolidated Financial Statements* and MFRS 128, *Investments in Associates and Joint Ventures – Sale or Contribution of Assets between an Investor and its Associate or Joint Venture*

The Group and the Company plan to apply the abovementioned accounting standards, interpretations and amendments, where applicable:

- from the annual period beginning on 1 January 2024 for those amendments that are effective for annual periods beginning on or after 1 January 2024; and
- from the annual period beginning on 1 January 2025 for the amendments that are effective for annual periods beginning on or after 1 January 2025.

The initial application of the accounting standards, interpretations or amendments are not expected to have any material financial impact to the Group and the Company.

**(b) Basis of Measurement**

The consolidated financial statements have been prepared on the historical cost basis except for the following items, which are measured based on the measurement bases stated below:

<b>Items</b>	<b>Measurement bases</b>
Derivative financial instruments	Fair value
Liabilities for equity-settled share-based payment arrangements	Fair value

**(c) Functional and Presentation Currency**

These financial statements are presented in Ringgit Malaysia ("RM"), which is the Company's functional currency. All financial information is presented in RM and has been rounded to the nearest thousand, unless otherwise stated.

**(d) Use of Estimates and Judgements**

The preparation of the financial statements in conformity with MFRSs requires management to make judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses. Actual results may differ from these estimates.

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimates are revised and in any future periods affected.

There are no significant areas of estimation uncertainty and critical judgements in applying accounting policies that have significant effect on the amounts recognised in the financial statements other than those disclosed in the following notes:

- Note 12 – impairment of goodwill

## NOTES TO THE FINANCIAL STATEMENTS

**2. Changes in Material Accounting Policies****2.1 Material accounting policy information**

The Group adopted amendments to MFRS 101, *Presentation of Financial Statements* and MFRS Practice Statement 2 – *Disclosures of Accounting Policies* from 1 January 2023. The amendments require the disclosure of “material”, rather than “significant”, accounting policies. The amendments also provide guidance on the application of materiality to disclosure of accounting policies, assisting entities to provide useful, entity-specific accounting policy information that users need to understand information in the financial statements.

Although the amendments did not result in any changes to the Group’s accounting policies, it impacted the accounting policy information disclosed in the financial statements. The material accounting policy information is disclosed in the respective notes to the financial statements where relevant.

**3. Revenue**

	Group		Company	
	2023 RM'000	2022 RM'000	2023 RM'000	2022 RM'000
<b>Revenue from contracts with customers:</b>				
Sale of cigarettes, pipe tobaccos, cigars, devices, other tobacco and nicotine products	2,310,999	2,596,574	-	-
<b>Other revenue:</b>				
Dividend income from unquoted subsidiaries	-	-	242,412	269,757
Management fee from subsidiaries	-	-	2,918	3,585
Fee for usage of property, plant and equipment from subsidiaries	-	-	2,068	2,373
	2,310,999	2,596,574	247,398	275,715

The Group is primarily engaged in the sales, marketing and importation of cigarettes, pipe tobaccos, cigars, devices, other tobacco and nicotine products. Revenue of the Group is recognised at a point in time when it transfers control of tobacco products and nicotine devices to the customers. Payment terms given to customers range from 1 to 75 days from invoice date. Variable elements in consideration are those trade discounts, volume rebates, and trade incentives. The Group allows return only for exchange with new goods (i.e. no cash refunds are offered).

## NOTES TO THE FINANCIAL STATEMENTS

**3. Revenue (continued)****Material accounting policy information****(a) Revenue from Contracts with Customers**

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

**(b) Dividend Income**

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

**(c) Management Fee**

Management fee is recognised when services are rendered.

**(d) Fee for usage of Property, Plant and Equipment**

Fee for usage of property, plant and equipment is recognised when services are rendered.

## NOTES TO THE FINANCIAL STATEMENTS

## 4. Profit Before Tax

	Note	Group		Company	
		2023 RM'000	2022 RM'000	2023 RM'000	2022 RM'000
<b>Profit before tax is arrived at after charging:</b>					
Auditors' remuneration:					
- statutory audit		571	555	418	405
- non-audit fees		248	241	248	241
Raw materials and consumables used		213,409	176,843	-	-
Excise duties		1,272,634	1,455,195	-	-
Staff costs	6	58,514	71,672	13,083	15,346
Property, plant and equipment:					
- depreciation	10	5,286	5,455	2,106	2,461
- depreciation of right-of-use ("ROU") assets	10	12,974	10,700	5,055	4,535
- write-off		199	25	-	-
Computer software:					
- amortisation	11	1,218	1,124	-	-
Net loss on impairment of financial assets at amortised cost	24	-	575	-	-
Expenses relating to:					
- short-term lease	a	1,272	1,425	-	-
Inventories written-off	15	12,910	13,399	-	-
Finance costs:					
- lease liabilities		1,422	1,000	496	567
- borrowings		22,871	20,677	7,919	6,353
Net foreign exchange loss		2,802	1,075	264	127
Provision for restructuring	18	-	18,464	-	-
<b>and after crediting:</b>					
Gain on disposal of property, plant and equipment		480	3,150	-	-
Interest income on deposits		623	781	623	781
Gain on derecognition of lease assets		39	-	-	-
Gain on derivatives	20	2,343	1,946	-	-
Reversal on impairment of financial assets at amortised cost	24	177	-	-	-

**Note a**

The Group and the Company leases buildings with contract terms of less than 1 year. These leases are short-term leases and the Group and the Company have elected not to recognise right-of-use ("ROU") assets and lease liabilities for these leases.

## NOTES TO THE FINANCIAL STATEMENTS

## 5. Directors' Remuneration

	Group and Company	
	2023 RM'000	2022 RM'000
Fees	775	775
Other emoluments	5,883	4,460
	6,658	5,235

Included in other emoluments is the estimated monetary value of benefits in kind provided to Directors of the Group and of the Company during the financial year amounted to RM718,000 (2022: RM517,000) and RM718,000 (2022: RM517,000) respectively.

Included in other emoluments are share-based payments amounting to RM Nil (2022: RM Nil) which were made to certain Directors of the Group and of the Company (during their employment with the Group and the Company) by way of their participation in employee share schemes offered by British American Tobacco p.l.c. as disclosed in Note 22, and consultancy fees paid to a Director amounting to RM Nil (2022: RM270,000).

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

	Number of ordinary shares in British American Tobacco p.l.c.				
	At 1.1.2022	Other movements*	At 31.12.2022/ 1.1.2023	Other movements*	At 31.12.2023
<b>Executive Directors</b>					
Deferred Share Bonus Scheme	8,073	817	8,890	993	9,883
International Share Reward Scheme	329	(16)	313	(27)	286
	8,402	801	9,203	966	10,169

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

Grant price	Number of options in ordinary shares in British American Tobacco p.l.c.				
	At 1.1.2022	Other movements*	At 31.12.2022/ 1.1.2023	Other movements*	At 31.12.2023
£30.83	2,796	(2,796)	-	-	-
£26.33	1,986	-	1,986	(1,986)	-
£27.94	1,942	-	1,942	-	1,942
£32.18	-	9,070	9,070	-	9,070
£29.71	-	-	-	10,450	10,450
	6,724	6,274	12,998	8,464	21,462

\* Other movements relate to ordinary shares and options that would have lapsed or movement of Directors during the financial year.

## NOTES TO THE FINANCIAL STATEMENTS

**6. Staff Costs**

	Group		Company	
	2023 RM'000	2022 RM'000	2023 RM'000	2022 RM'000
Wages, salaries and bonuses	46,357	57,777	10,790	13,876
Defined contribution plan	5,182	6,257	755	878
Other staff related expenses	6,975	7,638	1,538	592
	58,514	71,672	13,083	15,346

Included in staff costs is an amount for other emoluments as part of Directors' remuneration disclosed in Note 5 to the financial statements.

Staff costs recharged by the Company to the subsidiaries amounted to RM12,185,000 for the year ended 31 December 2023 (2022: RM13,597,000).

**Material accounting policy information****(a) Short-term Employee Benefits**

Short-term employee benefit obligations in respect of salaries, annual bonuses, paid annual leave and sick leave are measured on an undiscounted basis and are expensed as the related service is provided.

A liability is recognised for the amount expected to be paid under short-term cash bonus or profit-sharing plans if the Group has a present legal or constructive obligation to pay this amount as a result of past service provided by the employee and the obligation can be estimated reliably.

**(b) State Plans**

The Group's contributions to statutory pension funds are charged to the profit or loss in the financial year to which they relate. Prepaid contributions are recognised as an asset to the extent that a cash refund or a reduction in future payments is available.

**(c) Termination Benefits**

Termination benefits are expensed at the earlier of when the Group can no longer withdraw the offer of those benefits and when the Group recognises costs for a restructuring. If benefits are not expected to be settled wholly within 12 months of the end of the reporting period, then they are discounted.

## NOTES TO THE FINANCIAL STATEMENTS

## 7. Tax Expense

	Group		Company	
	2023 RM'000	2022 RM'000	2023 RM'000	2022 RM'000
<b>Current tax expense</b>				
- current year	63,085	125,501	1,871	1,850
- (over)/under provision in prior year	(1,869)	(862)	563	-
	61,216	124,639	2,434	1,850
<b>Deferred tax expense/(credit)</b>				
- reversal and origination of temporary differences	2,402	961	(793)	(125)
- (under)/over provision in prior year	(2,027)	(2,707)	(227)	186
	375	(1,746)	(1,020)	61
	61,591	122,893	1,414	1,911

	Group		Company	
	2023 %	2022 %	2023 %	2022 %
<b>Reconciliation of tax rate</b>				
Statutory tax rate	24	24	24	24
Prosperity tax*	-	7	-	-
Expenses not deductible for tax purposes	2	2	1	1
(Over)/Under provision in prior year	(2)	(1)	-	-
Income not subject to tax	-	-	(24)	(24)
	24	32	1	1

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

**Material accounting policy information**

Income tax expense comprises current and deferred tax. Current tax and deferred tax are recognised in the profit or loss except to the extent that they relate to a business combination or items recognised directly in equity or other comprehensive income.

Current tax is the expected tax payable or receivable on the taxable income or loss for the year, using tax rates enacted or substantively enacted by the end of the reporting period, and any adjustment to tax payable in respect of previous financial years.

## NOTES TO THE FINANCIAL STATEMENTS

**8. Earnings Per Share**

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

	Group	
	2023	2022
Profit for the year (RM'000)	194,748	262,519
Number of ordinary shares at 31 December ('000)	285,530	285,530
Basic earnings per ordinary share (sen)	68.2	91.9

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

**Material accounting policy information**

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

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

**9. Dividends**

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

	Sen per share	Total amount RM'000
	<b>2023</b>	
Fourth interim dividend 2022	21.0	59,961
First interim dividend 2023	13.0	37,119
Second interim dividend 2023	16.0	45,685
Third interim dividend 2023	19.0	54,251
Total amount	69.0	197,016
<b>2022</b>		
Fourth interim dividend 2021	27.0	77,093
First interim dividend 2022	17.0	48,540
Second interim dividend 2022	25.0	71,383
Third interim dividend 2022	25.0	71,383
Total amount	94.0	268,399

The first, second and third interim dividends are paid and accounted for in shareholders' equity as an appropriation of retained earnings in the financial year they are declared.

## NOTES TO THE FINANCIAL STATEMENTS

**9. Dividends (continued)**

The Directors declared a fourth interim ordinary dividend of 15.0 sen per ordinary share at the Board of Directors' meeting on 6 February 2024 amounting to RM42,829,500 in respect of the financial year ended 31 December 2023 which will be paid on 5 March 2024 to shareholders registered in the Company's Register of Members at the close of business on 21 February 2024. These financial statements do not reflect the fourth interim ordinary dividend which will be accounted for in the financial year ending 31 December 2024.

The Board of Directors do not recommend the payment of a final dividend in respect of the financial year ended 31 December 2023.

**Material accounting policy information**

Interim dividends are recognised as a liability in the period in which they are declared. Final dividends are recognised in the period approval of members is obtained.

## NOTES TO THE FINANCIAL STATEMENTS

## 10. Property, Plant and Equipment

Group	Buildings (ROU assets)* RM'000	Machinery and equipment RM'000	Furniture and fittings RM'000	Furniture and fittings (ROU assets)* RM'000	Motor Vehicles RM'000	Motor Vehicles (ROU assets)* RM'000	Capital work-in- progress RM'000	Total RM'000
<b>Cost</b>								
At 1 January 2022	35,396	5,823	27,215	342	26,218	-	1,323	96,317
Additions	7,850	-	6,446	625	-	15,409	3,816	34,146
Derecognition	(377)	-	-	-	-	-	-	(377)
Disposals	-	-	(4)	-	(18,301)	-	-	(18,305)
Write-off	-	-	(5,517)	-	(70)	-	-	(5,587)
Reclassification	-	-	1,290	-	-	-	(1,290)	-
At 31 December 2022/ 1 January 2023	42,869	5,823	29,430	967	7,847	15,409	3,849	106,194
Additions	28,636	-	1,009	-	-	1,338	-	30,983
Disposals	-	-	-	-	(4,496)	-	-	(4,496)
Derecognition	(149)	-	-	-	-	(2,464)	-	(2,613)
Remeasurement	(201)	-	-	-	-	-	-	(201)
Reclassification	-	-	3,551	-	-	-	(3,551)	-
Write-off	-	-	(895)	-	(933)	-	-	(1,828)
At 31 December 2023	71,155	5,823	33,095	967	2,418	14,283	298	128,039

## NOTES TO THE FINANCIAL STATEMENTS

## 10. Property, Plant and Equipment (continued)

Group	Buildings (ROU assets)*	Machinery and equipment	Furniture and fittings	Furniture and fittings (ROU assets)*	Motor Vehicles (ROU assets)*	Motor Vehicles (ROU assets)*	Capital work-in-progress	Total
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
<b>Accumulated depreciation</b>								
At 1 January 2022	18,032	1,100	17,242	29	13,469	-	-	49,872
Charge for the year	6,489	284	3,495	156	1,676	4,055	-	16,155
Derecognition	(377)	-	-	-	-	-	-	(377)
Disposals	-	-	(3)	-	(10,173)	-	-	(10,176)
Write-off	-	-	(5,517)	-	(45)	-	-	(5,562)
At 31 December 2022/ 1 January 2023	24,144	1,384	15,217	185	4,927	4,055	-	49,912
Charge for the year	7,598	-	4,831	261	455	5,115	-	18,260
Disposals	-	-	-	-	(2,769)	-	-	(2,769)
Derecognition	(58)	-	-	-	-	(1,369)	-	(1,427)
Write-off	-	-	(895)	-	(734)	-	-	(1,629)
At 31 December 2023	31,684	1,384	19,153	446	1,879	7,801	-	62,347
<b>Carrying amounts</b>								
At 1 January 2022	17,364	4,723	9,973	313	12,749	-	1,323	46,445
At 31 December 2022/ 1 January 2023	18,725	4,439	14,213	782	2,920	11,354	3,849	56,282
At 31 December 2023	39,471	4,439	13,942	521	539	6,482	298	65,692

## NOTES TO THE FINANCIAL STATEMENTS

## 10. Property, Plant and Equipment (continued)

Company	Buildings	Furniture	Furniture	Furniture	Motor	Capital	Total
	(ROU assets)* RM'000	and fittings and fittings RM'000	(ROU assets)* RM'000	and fittings RM'000	Vehicles (ROU assets)* RM'000	work-in- progress RM'000	
<b>Cost</b>							
At 1 January 2022	26,020	18,783	342	1,763	-	33	46,941
Additions	4,545	1,437	625	-	136	195	6,938
Write-off	-	(1,445)	-	-	-	-	(1,445)
At 31 December 2022/1 January 2023	30,565	18,775	967	1,763	136	228	52,434
Additions	1,143	-	-	-	305	-	1,448
Reclassification	-	228	-	-	-	(228)	-
Remeasurement	(202)	-	-	-	-	-	(202)
Write-off	-	(704)	-	-	-	-	(704)
At 31 December 2023	31,506	18,299	967	1,763	441	-	52,976

## NOTES TO THE FINANCIAL STATEMENTS

## 10. Property, Plant and Equipment (continued)

Company	Buildings (ROU assets)* RM'000	Furniture and fittings RM'000	Furniture and fittings (ROU assets)* RM'000	Motor Vehicles RM'000	Motor Vehicles (ROU assets)* RM'000	Capital work-in- progress RM'000	Total RM'000
<b>Accumulated depreciation</b>							
At 1 January 2022	10,571	10,653	29	808	-	-	22,061
Charge for the year	4,334	2,151	156	310	45	-	6,996
Write-off	-	(1,445)	-	-	-	-	(1,445)
At 31 December 2022/1 January 2023	14,905	11,359	185	1,118	45	-	27,612
Charge for the year	4,715	1,829	261	277	79	-	7,161
Write-off	-	(704)	-	-	-	-	(704)
At 31 December 2023	19,620	12,484	446	1,395	124	-	34,069
<b>Carrying amounts</b>							
At 1 January 2022	15,449	8,130	313	955	-	33	24,880
At 31 December 2022/1 January 2023	15,660	7,416	782	645	91	228	24,822
At 31 December 2023	11,886	5,815	521	368	317	-	18,907

\* The Group leases office building, motor vehicle, warehouse, factory and computer equipment that run for 3 to 10 years, with an option to renew the lease after that date.

## NOTES TO THE FINANCIAL STATEMENTS

**10. Property, Plant and Equipment (continued)****Extension options**

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

**Material accounting policy information****(a) Recognition and Measurement**

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

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

Purchased software that is integral to the functionality of the related equipment is capitalised as part of that equipment.

When significant parts of an item of property, plant and equipment have different useful lives, they are accounted for as separate items (major components) of property, plant and equipment.

The gain and loss on disposal of an item of property, plant and equipment is determined by comparing the proceeds from disposal with the carrying amount of property, plant and equipment and is recognised net within “other operating income” and “other operating expenses” respectively in the profit or loss.

**(b) Subsequent Costs**

The cost of replacing a component of an item of property, plant and equipment is recognised in the carrying amount of the item if it is probable that the future economic benefits embodied within the component will flow to the Group or the Company, and its cost can be measured reliably. The carrying amount of the replaced component is derecognised to the profit or loss. The costs of the day-to-day servicing of property, plant and equipment are recognised in the profit or loss as incurred.

## NOTES TO THE FINANCIAL STATEMENTS

**10. Property, Plant and Equipment (continued)****Material accounting policy information (continued)****(c) Depreciation**

Depreciation is based on the cost of an asset less its residual value. Significant components of individual assets are assessed, and if a component has a useful life that is different from the remainder of that asset, then that component is depreciated separately.

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

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

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

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

**Leases****(a) Definition of a Lease Contract**

A contract is, or contains, a lease if the contract conveys a right to control the use of an identified asset for a period of time in exchange for consideration. To assess whether a contract conveys the right to control the use of an identified asset, the Group assesses whether:

- the contract involves the use of an identified asset – this may be specified explicitly or implicitly, and should be physically distinct or represent substantially all of the capacity of a physically distinct asset. If the supplier has a substantive substitution right, then the asset is not identified;
- the customer has the right to obtain substantially all of the economic benefits from use of the asset throughout the period of use; and
- the customer has the right to direct the use of the asset. The customer has this right when it has the decision-making rights that are most relevant to changing how and for what purpose the asset is used. In rare cases where the decision about how and for what purpose the asset is used is predetermined, the customer has the right to direct the use of the asset if either the customer has the right to operate the asset; or the customer designed the asset in a way that predetermines how and for what purpose it will be used.

At inception or on reassessment of a contract that contains a lease component, the Group allocates the consideration in the contract to each lease and non-lease component on the basis of their relative stand-alone prices. However, for leases of properties in which the Group is a lessee, it has elected not to separate non-lease components and will instead account for the lease and non-lease components as a single lease component.

## NOTES TO THE FINANCIAL STATEMENTS

**10. Property, Plant and Equipment (continued)****Material accounting policy information (continued)****Leases (continued)****(b) Recognition and Initial Measurement****(i) As a Lessee**

The Group recognises a right-of-use (“ROU”) asset and a lease liability at the lease commencement date. The right-of-use (“ROU”) asset is initially measured at cost, which comprises the initial amount of the lease liability adjusted for any lease payments made at or before the commencement date, plus any initial direct costs incurred and an estimate of costs to dismantle and remove the underlying asset or to restore the underlying asset or the site on which it is located, less any lease incentives received.

The lease liability is initially measured at the present value of the lease payments that are not paid at the commencement date, discounted using the interest rate implicit in the lease or, if that rate cannot be readily determined, the respective Group entities’ incremental borrowing rate. Generally, the Group entities use their incremental borrowing rate as the discount rate.

Lease payments included in the measurement of the lease liability comprise the following:

- fixed payments, including in-substance fixed payments less any incentives receivable;
- variable lease payments that depend on an index or a rate, initially measured using the index or rate as at the commencement date;
- amounts expected to be payable under a residual value guarantee;
- the exercise price under a purchase option that the Group is reasonably certain to exercise; and
- penalties for early termination of a lease unless the Group is reasonably certain not to terminate early.

The Group excludes variable lease payments that linked to future performance or usage of the underlying asset from the lease liability. Instead, these payments are recognised in profit or loss in the period in which the performance or use occurs.

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

## NOTES TO THE FINANCIAL STATEMENTS

**10. Property, Plant and Equipment (continued)****Material accounting policy information (continued)****Leases (continued)****(c) Subsequent Measurement****(i) As a Lessee**

The right-of-use (“ROU”) asset is subsequently depreciated using the straight-line method from the commencement date to the earlier of the end of the useful life of the right-of-use (“ROU”) asset or the end of the lease term. The estimated useful lives of right-of-use (“ROU”) assets are determined on the same basis as those of property, plant and equipment. In addition, the right-of-use (“ROU”) asset is periodically reduced by impairment losses, if any, and adjusted for certain remeasurements of the lease liability.

The lease liability is measured at amortised cost using the effective interest method. It is remeasured when there is a change in future lease payments arising from a change in an index or rate, if there is a revision of in-substance fixed lease payments, or if there is a change in the Group’s estimate of the amount expected to be payable under a residual value guarantee, or if the Group changes its assessment of whether it will exercise a purchase, extension or termination option.

When the lease liability is remeasured, a corresponding adjustment is made to the carrying amount of the right-of-use (“ROU”) asset, or is recorded in profit or loss if the carrying amount of the right-of-use (“ROU”) asset has been reduced to zero.

**11. Computer Software**

	Group		Company	
	2023 RM'000	2022 RM'000	2023 RM'000	2022 RM'000
<b>Cost</b>				
At 1 January	4,238	3,358	87	87
Additions	-	880	-	-
Write-off	(498)	-	-	-
At 31 December	3,740	4,238	87	87
<b>Accumulated amortisation</b>				
At 1 January	1,211	87	87	87
Charge for the year	1,218	1,124	-	-
At 31 December	2,429	1,211	87	87
<b>Carrying amounts</b>				
At 31 December	1,311	3,027	-	-

## NOTES TO THE FINANCIAL STATEMENTS

**11. Computer Software (continued)****Material accounting policy information****(a) Other Intangible Assets**

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

**(b) Subsequent Expenditure**

Subsequent expenditure is capitalised only when it increases the future economic benefits embodied in the specific asset to which it relates. All other expenditure, including expenditure on internally generated goodwill and brands, is recognised in the profit or loss as incurred.

**(c) Amortisation**

Goodwill and intangible assets with indefinite useful lives are not amortised but is tested for impairment annually and whenever there is an indication that they may be impaired.

Other intangible assets are amortised from the date that they are available for use. Amortisation is based on the cost of an asset less its residual value. Amortisation is recognised in the profit or loss on a straight-line basis over the estimated useful lives of intangible assets.

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

Computer software	3 years
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Amortisation methods, useful lives and residual values are reviewed at the end of each reporting period and adjusted, if appropriate. The amortisation of computer software is recognised in administrative expenses.

## NOTES TO THE FINANCIAL STATEMENTS

**12. Goodwill**

	Group	
	2023	2022
	RM'000	RM'000
Carrying amount at 31 December	411,618	411,618

Goodwill arose from the acquisition of the business of Malaysian Tobacco Company Berhad, and represents the excess of the fair value of the purchase consideration over the Group's share of the fair values of the net assets of the subsidiary companies acquired on 2 November 1999, the date of acquisition.

The carrying amount of goodwill is reviewed for impairment annually. Impairment is determined for goodwill by assessing the recoverable amount of the cash-generating unit to which the goodwill relates. The carrying amount of goodwill fully relates to the West Malaysia cash-generating unit. The recoverable amount has been determined based on value-in-use calculations. For the purposes of impairment testing, goodwill is allocated to the Group's operating divisions which represent the lowest level within the Group at which the goodwill is monitored for internal management purposes.

The key assumptions for the recoverable amount are management's current estimates for revenue, volume growth and terminal growth rate as well as a pre-tax discount rate of 10.2 percent (2022: 11.8 percent). These assumptions are determined by management using past experience and external information where available. The assumptions are applied to a projection for a period of five years (2022: five years) plus terminal value.

The value-in-use calculations use cash flows based on detailed financial budgets prepared by management covering a one-year period extrapolated over a 5-year horizon with growth of 4.0% (2022: -4.0%) in years 2 to 5. The increase in growth rate year on year is due to the Group's expansion into a multicategory business. A 5-year horizon is considered appropriate based on the Group's history of profit and cash growth, its well-balanced portfolio of brands and the industry in which it operates. A terminal growth rate was assumed beyond the 5-year horizon taking into account potential long-term volume decline of combustible products offset by a conservative rate of growth assumed for new category products as the Group pivots into a multicategory business. Terminal growth rates are reassessed on an annual basis.

Based on the assessment, the recoverable amount exceeded the carrying amount of the goodwill. Accordingly, no impairment loss was recognised in 2023 (2022: Nil).

Based on sensitivity tests performed by the Group, any reasonable change in the key assumptions used will not result in any significant change to the results of impairment assessment.

**Material accounting policy information****(a) Goodwill**

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

## NOTES TO THE FINANCIAL STATEMENTS

**13. Subsidiaries**

	Note	Company	
		2023 RM'000	2022 RM'000
<b>Cost</b>			
Unquoted shares in subsidiaries	13.1	723,395	725,262
Impairment losses		-	(1,867)
		723,395	723,395

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

**13.1 Unquoted shares in subsidiaries**

The dissolutions of Commercial Marketers and Distributors Sdn. Bhd. (incorporated in Brunei) and Rothmans Brands Sdn. Bhd. (incorporated in Malaysia), wholly owned subsidiaries of the Company had been completed on 4 July 2023 and 20 December 2023 respectively. The carrying value of unquoted shares at cost, and the related impairment loss, have been written off accordingly. The dissolutions have no material effect on the financials nor operations of the Group.

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

Name of entity	Principal place of business/country of incorporation	Principal activities	Effective ownership interest and voting interest	
			2023	2022
Commercial Marketers and Distributors Sdn. Bhd.	Malaysia	Sales, marketing and importation of cigarettes, pipe tobaccos, cigars, devices, other tobacco products and nicotine products	100%	100%
Tobacco Importers and Manufacturers Sdn. Berhad	Malaysia	Manufacture and sale of cigarettes and other tobacco related products	100%	100%
Rothmans Brands Sdn. Bhd.	Malaysia	Dormant (The Company has been dissolved on 20 December 2023)	-	100%
Commercial Marketers and Distributors Sdn. Bhd.*	Negara Brunei Darussalam	Dormant (The Company has been dissolved on 4 July 2023)	-	100%

\*Not audited by KPMG PLT.

## NOTES TO THE FINANCIAL STATEMENTS

**13. Subsidiaries (continued)**

Subsidiaries are entities, including structured entities, controlled by the Company. The financial statements of subsidiaries are included in the consolidated financial statements from the date that control commences until the date that control ceases.

The Group controls an entity when it is exposed, or has rights, to variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. Potential voting rights are considered when assessing control only when such rights are substantive. The Group also considers it has de facto power over an investee when, despite not having the majority of voting rights, it has the current ability to direct the activities of the investee that significantly affect the investee's return.

Investments in subsidiaries are measured in the Company's statement of financial position at cost less any impairment losses, unless the investment is classified as held for sale or distribution. The cost of investment includes transaction costs.

**Material accounting policy information****(a) Transactions Eliminated on Consolidation**

Intra-group balances and transactions, and any unrealised income and expenses arising from intra-group transactions, are eliminated in preparing the consolidated financial statements.

**14. Deferred Tax**

	Note	Group		Company	
		2023 RM'000	2022 RM'000	2023 RM'000	2022 RM'000
Deferred tax assets					
At 1 January		7,812	6,220	1,583	1,644
Recognised in profit or loss	14(i)	(375)	1,746	1,020	(61)
Recognised in other comprehensive income	14(ii)	(850)	(154)	-	-
At 31 December		6,587	7,812	2,603	1,583
Represented by:					
Property, plant and equipment		(926)	(2,345)	(648)	(1,044)
Provisions		8,409	10,203	3,251	2,627
Cash flow hedge		(896)	(46)	-	-
Deferred tax assets		6,587	7,812	2,603	1,583

## NOTES TO THE FINANCIAL STATEMENTS

**14. Deferred Tax (continued)**

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

	Group		Company	
	2023 RM'000	2022 RM'000	2023 RM'000	2022 RM'000
Deferred tax assets				
Deferred tax liabilities to be recovered after more than 12 months	(926)	(2,345)	(648)	(1,044)
Deferred tax assets to be recovered within 12 months	7,513	10,157	3,251	2,627
At 31 December	6,587	7,812	2,603	1,583
(i) Recognised in profit or loss:				
- (Charged)/credited in respect of net deferred tax assets	(375)	1,746	1,020	(61)
Net (charge)/credit to profit or loss	(375)	1,746	1,020	(61)
(ii) Recognised in other comprehensive income:				
- Charged in respect of deferred tax assets	(850)	(154)	-	-
Net charge to other comprehensive income	(850)	(154)	-	-

During and at the end of the financial year, there were no unabsorbed tax losses. There are no items for which deferred tax assets have not been recognised.

**Material accounting policy information**

Deferred tax is recognised using the liability method, providing for temporary differences between the carrying amounts of assets and liabilities in the statement of financial position and their tax bases. Deferred tax is not recognised for the following temporary differences: the initial recognition of goodwill, the initial recognition of assets or liabilities in a transaction that is not a business combination and that affects neither accounting nor taxable profit or loss. Deferred tax is measured at the tax rates that are expected to be applied to the temporary differences when they reverse, based on the laws that have been enacted or substantively enacted by the end of the reporting period.

Deferred tax assets and liabilities are offset if there is a legally enforceable right to offset current tax assets and liabilities, and they relate to income taxes levied by the same tax authority on the same taxable entity, or on different tax entities, but they intend to settle current tax assets and liabilities on a net basis or their tax assets and liabilities will be realised simultaneously.

A deferred tax asset is recognised to the extent that it is probable that future taxable profits will be available against which the temporary difference can be utilised. Deferred tax assets are reviewed at the end of each reporting period and are reduced to the extent that it is no longer probable that the related tax benefit will be realised.

Unutilised reinvestment allowance and investment tax allowance, being tax incentives that is not a tax base of an asset, is recognised as a deferred tax asset to the extent that it is probable that the future taxable profits will be available against which the unutilised tax incentive can be utilised.

## NOTES TO THE FINANCIAL STATEMENTS

## 15. Inventories

	Group	
	2023 RM'000	2022 RM'000
Raw materials	208	138
Finished goods	32,362	55,837
	32,570	55,975
<b>Recognised in profit or loss:</b>		
Inventories recognised as cost of sales	1,486,043	1,632,038
Written-off to distribution and marketing costs	12,910	13,399

**Material accounting policy information**

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

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

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

## 16. Trade and Other Receivables

	Note	Group		Company	
		2023 RM'000	2022 RM'000	2023 RM'000	2022 RM'000
Trade receivables	16.1	614,050	740,478	-	-
Allowance for impairment		(806)	(871)	-	-
Trade receivables, net		613,244	739,607	-	-
Amounts due from fellow subsidiaries*	16.2	7,456	15,633	209	10,228
Amounts due from subsidiaries	16.3	-	-	574	316
Other receivables, deposits and prepayments	16.4	5,220	48,532	1,702	1,902
		12,676	64,165	2,485	12,446
Total receivables		625,920	803,772	2,485	12,446

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

## NOTES TO THE FINANCIAL STATEMENTS

**16. Trade and Other Receivables (continued)****16.1 Trade Receivables**

Credit terms of trade receivables range from 1 to 75 days (2022: 1 to 60 days).

*Transfer of trade receivables*

The Group sold without recourse certain trade receivables to a bank for cash proceeds. These trade receivables have been derecognised from the statement of financial position because the Group has transferred risks and rewards to the bank. The arrangement with the bank is such that the customers remit cash directly to the Group and the Group transfers the collected amounts to the bank.

The following information shows the carrying amount of trade receivables at the reporting date that have been sold and derecognised under trade receivables.

	Group	
	2023	2022
	RM'000	RM'000
Carrying amount of trade receivables sold to a bank and derecognised	60,157	-

**16.2 Amounts Due From Fellow Subsidiaries**

The Group's and the Company's amounts due from fellow subsidiaries are trade and non-trade in nature and are unsecured and interest free with a credit term of 30 to 60 days (2022: 30 to 60 days).

**16.3 Amounts Due From Subsidiaries**

The Company's amounts due from subsidiaries are non-trade in nature and is unsecured and interest free with a credit term of 30 days (2022: 30 days).

**16.4 Other Receivables, Deposits and Prepayments**

Included in other receivables, deposits and prepayments of the Group are prepaid excise duties of RM3,710,000 (2022: RM42,873,000).

**Material accounting policy information****(a) Financial Instruments****(i) Recognition and Initial Measurement**

A financial asset or a financial liability is recognised in the statement of financial position when, and only when, the Group or the Company becomes a party to the contractual provisions of the instrument.

A financial asset (unless it is a trade receivable without significant financing component) or a financial liability is initially measured at fair value plus or minus, for an item not at fair value through profit or loss, transaction costs that are directly attributable to its acquisition or issuance. A trade receivable without a financing component is initially measured at the transaction price.

An embedded derivative is recognised separately from the host contract and accounted for as a derivative if, and only if, it is not closely related to the economic characteristics and risks of the host contract and the host contract is not measured at fair value through profit or loss. The host contract, in the event an embedded derivative is recognised separately, is accounted for in accordance with policy applicable to the nature of the host contract.

## NOTES TO THE FINANCIAL STATEMENTS

**16. Trade and Other Receivables (continued)****Material accounting policy information (continued)****(a) Financial Instruments (continued)****(ii) Financial Instrument Categories and Subsequent Measurement*****Financial Assets***

Categories of financial assets are determined on initial recognition and are not reclassified subsequent to their initial recognition unless the Group or the Company changes its business model for managing financial assets in which case all affected financial assets are reclassified on the first day of the first reporting period following the change of the business model.

**(a) Amortised Cost**

Amortised cost category comprises financial assets that are held within a business model whose objective is to hold assets to collect contractual cash flows and its contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding. The financial assets are not designated as fair value through profit or loss. Subsequent to initial recognition, these financial assets are measured at amortised cost using the effective interest method. The amortised cost is reduced by impairment losses. Interest income, foreign exchange gains and losses and impairment are recognised in profit or loss. Any gain or loss on derecognition is recognised in profit or loss.

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

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

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

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

**(ii) Equity Investments**

This category comprises investment in equity that is not held for trading, and the Group and the Company irrevocably elect to present subsequent changes in the investment's fair value in other comprehensive income. This election is made on an investment-by-investment basis. Dividends are recognised as income in profit or loss unless the dividend clearly represents a recovery of part of the cost of investment. Other net gains and losses accumulated in other comprehensive income are not reclassified to profit or loss. On derecognition, gains and losses accumulated in other comprehensive income are not reclassified to profit or loss.

## NOTES TO THE FINANCIAL STATEMENTS

**16. Trade and Other Receivables (continued)****Material accounting policy information (continued)****(a) Financial Instruments (continued)****(ii) Financial Instrument Categories and Subsequent Measurement (continued)***Financial Assets (continued)***(c) Fair Value through Profit or Loss**

All financial assets not measured at amortised cost or fair value through other comprehensive income as described above are measured at fair value through profit or loss. This includes derivative financial assets (except for a derivative that is a designated and effective hedging instrument). On initial recognition, the Group or the Company may irrevocably designate a financial asset that otherwise meets the requirements to be measured at amortised cost or at fair value through other comprehensive income as at fair value through profit or loss if doing so eliminates or significantly reduces an accounting mismatch that would otherwise arise.

Financial assets categorised as fair value through profit or loss are subsequently measured at their fair value. Net gains or losses, including any interest or dividend income, are recognised in the profit or loss.

All financial assets, except for those measured at fair value through profit or loss and equity investments measured at fair value through other comprehensive income, are subject to impairment assessment (see Note 24.4(a)(i)).

**17. Capital and Reserves****Share capital**

	<b>Group and Company</b>			
	<b>Number of shares</b>	<b>Amount</b>	<b>Number of shares</b>	<b>Amount</b>
	<b>2023</b>	<b>2023</b>	<b>2022</b>	<b>2022</b>
	<b>'000</b>	<b>RM'000</b>	<b>'000</b>	<b>RM'000</b>
Ordinary shares issued and fully paid with no par value	285,530	142,765	285,530	142,765

The holders of ordinary shares are entitled to receive dividends as declared from time to time, and are entitled to one vote per share at meetings of the Company.

**Cash flow hedge reserve**

The cash flow hedge reserve comprises the effective portion of the cumulative net change in the fair value of cash flow hedges related to hedged transactions that have not yet occurred.

**Material accounting policy information****(a) Equity Instruments**

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

## NOTES TO THE FINANCIAL STATEMENTS

**17. Capital and Reserves (continued)****Material accounting policy information (continued)****(a) Equity Instruments (continued)****(i) Issue Expenses**

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

**(ii) Ordinary Shares**

Ordinary shares are classified as equity.

**18. Trade and Other Payables**

	Note	Group		Company	
		2023 RM'000	2022 RM'000	2023 RM'000	2022 RM'000
Trade payables	18.1	40,929	14,194	-	-
Trade accruals		78,878	92,281	-	-
Amounts due to subsidiaries	18.2	-	-	230,906	263,289
Amounts due to fellow subsidiaries*	18.3	30,663	39,831	1,022	1,964
Other payables and accruals		56,507	65,958	15,972	13,540
		206,977	212,264	247,900	278,793

Other payables and accruals comprise the following:

	Group		Company	
	2023 RM'000	2022 RM'000	2023 RM'000	2022 RM'000
Accruals for employee expenses	13,899	18,769	4,197	5,724
Accruals for administrative expenses	40,686	25,522	10,105	6,377
Provision for restructuring	252	18,464	-	-
Other non-operating creditors	1,670	3,203	1,670	1,439
	56,507	65,958	15,972	13,540

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

## NOTES TO THE FINANCIAL STATEMENTS

**18. Trade and Other Payables (continued)**

The provision for restructuring is expected to be settled within 12 months. Movements of provision for restructuring are as follows:

<b>Provision for restructuring</b>	<b>Group RM'000</b>	<b>Company RM'000</b>
At 1 January 2022	8,752	245
Provisions made during the year	18,464	-
Provisions used during the year	(8,752)	(245)
At 31 December 2022/1 January 2023	18,464	-
Provisions used during the year	(18,212)	-
At 31 December 2023	252	-

**18.1 Trade Payables**

Credit terms of trade payables and suppliers of property, plant and equipment granted to the Group vary from cash term to 120 days (2022: cash term to 120 days).

**18.2 Amounts Due to Subsidiaries**

The Company's amounts due to subsidiaries are non-trade in nature and are unsecured and subject to 3% (2022: 3%) interest per annum with a credit term of 30 days (2022: 30 days). Net changes from financing cash flows is RM Nil (2022: RM14,199,000).

**18.3 Amounts Due to Fellow Subsidiaries**

The Group's and the Company's amounts due to fellow subsidiaries are trade and non-trade in nature and are repayable within credit terms of 30 to 60 days (2022: 30 to 60 days). These amounts are unsecured and interest free.

**Material accounting policy information****(a) Financial Instruments****(i) Recognition and Initial Measurement**

A financial asset or a financial liability is recognised in the statement of financial position when, and only when, the Group or the Company becomes a party to the contractual provisions of the instrument.

A financial asset (unless it is a trade receivable without significant financing component) or a financial liability is initially measured at fair value plus or minus, for an item not at fair value through profit or loss, transaction costs that are directly attributable to its acquisition or issuance. A trade receivable without a financing component is initially measured at the transaction price.

An embedded derivative is recognised separately from the host contract and accounted for as a derivative if, and only if, it is not closely related to the economic characteristics and risks of the host contract and the host contract is not measured at fair value through profit or loss. The host contract, in the event an embedded derivative is recognised separately, is accounted for in accordance with policy applicable to the nature of the host contract.

## NOTES TO THE FINANCIAL STATEMENTS

**18. Trade and Other Payables (continued)****Material accounting policy information (continued)****(a) Financial Instruments (continued)****(ii) Financial Instrument Categories and Subsequent Measurement*****Financial Liabilities***

The categories of financial liabilities at initial recognition are as follows:

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

Fair value through profit or loss category comprises financial liabilities that are derivatives (except for a derivative that is a financial guarantee contract or a designated and effective hedging instrument), contingent consideration in a business combination and financial liabilities that are specifically designated into this category upon initial recognition.

On initial recognition, the Group or the Company may irrevocably designate a financial liability that otherwise meets the requirements to be measured at amortised cost as at fair value through profit or loss:

- (a) if doing so eliminates or significantly reduces an accounting mismatch that would otherwise arise;
- (b) a group of financial liabilities or assets and financial liabilities is managed and its performance is evaluated on a fair value basis, in accordance with a documented risk management or investment strategy, and information about the group is provided internally on that basis to the Group's key management personnel; or

**(b) Provisions**

A provision is recognised if, as a result of a past event, the Group has a present legal or constructive obligation that can be estimated reliably, and it is probable that an outflow of economic benefits will be required to settle the obligation. Provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the liability. The unwinding of the discount is recognised as finance cost.

**(i) Restructuring**

A provision for restructuring is recognised when the Group has approved a detailed formal restructuring plan, and the restructuring has either commenced or has been announced publicly. Future operating costs are not provided for.

**19. Borrowings**

	Group	
	2023 RM'000	2022 RM'000
Current – unsecured		
Revolving credit	360,000	375,000
Short-term loan	183,000	320,000
	543,000	695,000

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

## NOTES TO THE FINANCIAL STATEMENTS

**19. Borrowings (continued)****Reconciliation of movement of liabilities to cash flow arising from financing activities**

	Net changes from financing cash flows			2023 RM'000
	2022 RM'000	Drawdown RM'000	Repayment RM'000	
<b>Group</b>				
Borrowings	695,000	322,000	(474,000)	543,000

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

**Material accounting policy information**

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

**20. Derivative Financial Instruments**

	2023		2022	
	Assets RM'000	Liabilities RM'000	Assets RM'000	Liabilities RM'000
<b>Group</b>				
Forward foreign exchange contract - cash flow hedges	4,950	809	1,928	1,606

The fair values of derivative financial instruments are determined based on the quoted market price of similar derivatives, as they are not traded on an active market.

During the year, a gain of RM2,343,000 (2022: gain of RM1,946,000) arising from forward foreign exchange contracts in relation to cash flow hedges was recognised in the profit or loss.

The Group's cash flow hedges are principally net exposure in the respective foreign currencies of future payment for finished goods and services, over a period of 6 to 18 months. The timing of expected cash flows in respect of derivatives designated as cash flow hedges is expected to be comparable to the timing of when the hedged item will affect the profit or loss, which are expected to occur at various dates over a period of 6 to 18 months (2022: 6 to 18 months).

Gains and losses recognised in other comprehensive income on forward foreign exchange contracts are recognised in the profit or loss in the period or periods during which the hedged forecast transaction affects the profit or loss. During the year, the Group recognised a gain of RM3,541,000 (2022: gain of RM648,000) in the statement of other comprehensive income and a gain of RM6,403,000 (2022: gain of RM6,322,000) was reclassified from equity to the profit or loss.

## NOTES TO THE FINANCIAL STATEMENTS

**20. Derivative Financial Instruments (continued)**

The notional principal amounts of the outstanding forward foreign exchange contracts are as follows:

<b>Hedging Instruments</b>	<b>Currency</b>	<b>RM'000 equivalent</b>	<b>Average contracted rate</b>
<b>Group</b>			
<b>2023</b>			
Currency to be received over the next 12 months USD36,914,000 (net)	US Dollar	164,030	1 USD = RM4.4436
<b>2022</b>			
Currency to be received over the next 12 months USD43,720,000 (net)	US Dollar	190,882	1 USD = RM4.3660

**Material accounting policy information****(a) Hedge Accounting**

At inception of a designated hedging relationship, the Group and the Company document the risk management objective and strategy for undertaking the hedge. The Group and the Company also document the economic relationship between the hedged item and the hedging instrument, including whether the changes in cash flows of the hedged item and hedging instrument are expected to offset each other.

**Cash Flow Hedge**

A cash flow hedge is a hedge of the exposure to variability in cash flows that is attributable to a particular risk associated with all, or a component of, a recognised asset or liability or a highly probable forecast transaction and could affect the profit or loss. In a cash flow hedge, the portion of the gain or loss on the hedging instrument that is determined to be an effective hedge is recognised in other comprehensive income and accumulated in equity and the ineffective portion is recognised in the profit or loss. The effective portion of changes in the fair value of the derivative that is recognised in other comprehensive income is limited to the cumulative change in fair value of the hedged item, determined on a present value basis, from inception of the hedge.

Subsequently, the cumulative gain or loss recognised in other comprehensive income is reclassified from equity into the profit or loss in the same year during which the hedged forecast cash flows affect the profit or loss. If the hedge item is a non-financial asset or liability, the associated gain or loss recognised in other comprehensive income is removed from equity and included in the initial amount of the asset or liability. However, loss recognised in other comprehensive income that will not be recovered in one or more future periods is reclassified from equity into the profit or loss immediately.

The Group designate only the change in fair value of the spot element of forward contracts as the hedging instrument in cash flow hedging relationships. The change in fair value of the forward element of forward exchange contracts ("forward points") and/or the foreign currency basis spread are separately accounted for as cost of hedging and recognised in a cost of hedging reserve within equity.

## NOTES TO THE FINANCIAL STATEMENTS

**20. Derivative Financial Instruments (continued)****Material accounting policy information (continued)****(a) Hedge Accounting (continued)*****Cash Flow Hedge (continued)***

Cash flow hedge accounting is discontinued prospectively when the hedging instrument expires or is sold, terminated or exercised, the hedge is no longer highly effective, the forecast transaction is no longer expected to occur or the hedge designation is revoked. If the hedge is for a forecast transaction, the cumulative gain or loss on the hedging instrument remains in equity until the forecast transaction occurs. When hedge accounting for cash flow hedges is discontinued, the amount that has been accumulated in the hedging reserve and the cost of hedging reserve remains in equity until, for a hedge of a transaction resulting in recognition of a non-financial item, it is included in the non-financial item's cost on its initial recognition or, for other cash flow hedges, it is reclassified to profit or loss in the same period or periods as the hedged expected future cash flows affect the profit or loss.

If the hedged future cash flows are no longer expected to occur, then the amounts that have been accumulated in the hedging reserve and the cost of hedging reserve are immediately reclassified to profit or loss.

***Derecognition***

A financial asset or part of it is derecognised when, and only when, the contractual rights to the cash flows from the financial asset expire or transferred, or control of the asset is not retained or substantially all of the risks and rewards of ownership of the financial asset are transferred to another party. On derecognition of a financial asset, the difference between the carrying amount and the sum of the consideration received (including any new asset obtained less any new liability assumed) and any cumulative gain or loss that had been recognised in equity is recognised in the profit or loss.

A financial liability or a part of it is derecognised when, and only when, the obligation specified in the contract is discharged, cancelled or expires. A financial liability is also derecognised when its terms are modified and the cash flows of the modified liability are substantially different, in which case, a new financial liability based on modified terms is recognised at fair value. On derecognition of a financial liability, the difference between the carrying amount of the financial liability extinguished or transferred to another party and the consideration paid, including any non-cash assets transferred or liabilities assumed, is recognised in the profit or loss.

***Offsetting***

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

## NOTES TO THE FINANCIAL STATEMENTS

**21. Lease Liabilities**

	Group		Company	
	2023 RM'000	2022 RM'000	2023 RM'000	2022 RM'000
Current	14,529	12,118	6,018	4,818
Non-current	34,136	21,644	7,904	13,324
<b>Total</b>	<b>48,665</b>	<b>33,762</b>	<b>13,922</b>	<b>18,142</b>

	Group		Company	
	2023 RM'000	2022 RM'000	2023 RM'000	2022 RM'000
At 1 January	33,762	19,912	18,142	17,252
Net changes from financing cash flows	(13,644)	(10,034)	(5,466)	(4,416)
Acquisition of new lease	29,773	23,884	1,246	5,306
Derecognition	(1,226)	-	-	-
<b>At 31 December</b>	<b>48,665</b>	<b>33,762</b>	<b>13,922</b>	<b>18,142</b>

**21.1 Material accounting policy information****(a) Definition of a Lease Contract**

A contract is, or contains, a lease if the contract conveys a right to control the use of an identified asset for a period of time in exchange for consideration. To assess whether a contract conveys the right to control the use of an identified asset, the Group assesses whether:

- the contract involves the use of an identified asset – this may be specified explicitly or implicitly, and should be physically distinct or represent substantially all of the capacity of a physically distinct asset. If the supplier has a substantive substitution right, then the asset is not identified;
- the customer has the right to obtain substantially all of the economic benefits from use of the asset throughout the period of use; and
- the customer has the right to direct the use of the asset. The customer has this right when it has the decision-making rights that are most relevant to changing how and for what purpose the asset is used. In rare cases where the decision about how and for what purpose the asset is used is predetermined, the customer has the right to direct the use of the asset if either the customer has the right to operate the asset; or the customer designed the asset in a way that predetermines how and for what purpose it will be used.

For leases of properties in which the Group is a lessee, it has elected not to separate non-lease components and will instead account for the lease and non-lease components as a single lease component.

**(b) Recognition and Initial Measurement****(i) As a Lessee**

The Group recognises a right-of-use (“ROU”) asset and a lease liability at the lease commencement date. The right-of-use (“ROU”) asset is initially measured at cost, which comprises the initial amount of the lease liability adjusted for any lease payments made at or before the commencement date, plus any initial direct costs incurred and an estimate of costs to dismantle and remove the underlying asset or to restore the underlying asset or the site on which it is located, less any lease incentives received.

## NOTES TO THE FINANCIAL STATEMENTS

**21. Lease Liabilities (continued)****21.1 Material accounting policy information (continued)****(b) Recognition and Initial Measurement (continued)****(i) As a Lessee (continued)**

The lease liability is initially measured at the present value of the lease payments that are not paid at the commencement date, discounted using the interest rate implicit in the lease or, if that rate cannot be readily determined, the respective Group entities' incremental borrowing rate. Generally, the Group entities use their incremental borrowing rate as the discount rate.

Lease payments included in the measurement of the lease liability comprise the following:

- fixed payments, including in-substance fixed payments less any incentives receivable;
- variable lease payments that depend on an index or a rate, initially measured using the index or rate as at the commencement date;
- amounts expected to be payable under a residual value guarantee;
- the exercise price under a purchase option that the Group is reasonably certain to exercise; and
- penalties for early termination of a lease unless the Group is reasonably certain not to terminate early.

The Group excludes variable lease payments that linked to future performance or usage of the underlying asset from the lease liability. Instead, these payments are recognised in profit or loss in the period in which the performance or use occurs.

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

**(c) Subsequent Measurement**

The right-of-use ("ROU") asset is subsequently depreciated using the straight-line method from the commencement date to the earlier of the end of the useful life of the right-of-use ("ROU") asset or the end of the lease term. The estimated useful lives of right-of-use ("ROU") assets are determined on the same basis as those of property, plant and equipment. In addition, the right-of-use ("ROU") asset is periodically reduced by impairment losses, if any, and adjusted for certain remeasurements of the lease liability.

The lease liability is measured at amortised cost using the effective interest method. It is remeasured when there is a change in future lease payments arising from a change in an index or rate, if there is a revision of in-substance fixed lease payments, or if there is a change in the Group's estimate of the amount expected to be payable under a residual value guarantee, or if the Group changes its assessment of whether it will exercise a purchase, extension or termination option.

When the lease liability is remeasured, a corresponding adjustment is made to the carrying amount of the right-of-use ("ROU") asset, or is recorded in profit or loss if the carrying amount of the right-of-use ("ROU") asset has been reduced to zero.

## NOTES TO THE FINANCIAL STATEMENTS

**22. Share-based Payments**

The Group operates a number of share-based payment arrangements of which the three principal ones are:

**LTIP - Performance Share Plan (PSP)**

Since 2020, performance-related conditional awards under which shares are released automatically following a 3-year vesting period (5-year period for the Executive Directors). LTIP awards granted up to 2019 are nil-cost options exercisable after three years from date of grant (five years for Executive Directors) with a contractual life of 10 years.

For awards granted in 2021, 2020 and 2019, vesting is subject to performance conditions measured over a 3-year period (for all awards), based on earnings per share (40% of grant), operating cash flow (20% of grant), total shareholder return (20% of grant) and net turnover (20% of grant). Total shareholder return combines the share price and dividend performance of the Company by reference to one comparator group.

For 2022 and 2023 awards, the performance conditions are based on earnings per share (30% of grant), operating cash flow (20% of grant), total shareholder return (20% of grant), net turnover (15% of grant) and New Categories revenue growth (15% of grant).

Participants are not entitled to dividends prior to the vesting or exercise of the awards. A cash equivalent dividend accrues through the vesting period (other than for the Executive Directors where additional shares are delivered in lieu of cash) and is paid on vesting. Equity-settled PSP awards are granted in March each year.

**Restricted Share Plan (RSP)**

Introduced in 2020, conditional awards under which shares are released three years from date of grant, subject to a continuous employment condition during the three-year vesting period. Participants are not entitled to dividends prior to shares vesting. A cash equivalent dividend accrues through the vesting period and is paid on vesting. Equity-settled RSP awards are granted in March or September.

**Deferred Share Bonus Scheme (DSBS)**

Granted in connection with annual bonuses, conditional awards under which shares are released three years from date of grant subject to a continuous employment condition during the three-year vesting period. A cash equivalent dividend accrues through the vesting period and is paid quarterly (other than for the Executive Directors where additional shares are delivered in lieu of cash). Equity-settled DSBS awards are granted in March each year.

The Group also has a number of other arrangements which are not material for the Group and these are as follows:

**International Share Reward Scheme (ISRS)**

Conditional shares are granted in April each year (up to an equivalent of £3,600 in any year) subject to a three-year vesting period. Dividend equivalents accrue through the vesting period and additional shares are delivered at vesting. Awards are equity-settled.

## NOTES TO THE FINANCIAL STATEMENTS

**22. Share-based Payments (continued)****Share-based Payment Expense**

The amount recognised in the profit or loss in respect of share-based payments were as follows:

	Note	Equity-settled	
		2023 RM'000	2022 RM'000
<b>Group</b>			
LTIP - PSP & RSP	22.1	1,208	1,151
DSBS	22.2	1,299	1,119
Other schemes	22.3	17	16
<b>Total recognised in profit or loss</b>		<b>2,524</b>	<b>2,286</b>
<b>Company</b>			
LTIP - PSP & RSP	22.1	1,208	1,151
DSBS	22.2	754	760
Other schemes	22.3	18	16
<b>Total recognised in profit or loss</b>		<b>1,980</b>	<b>1,927</b>

**22.1 Long-Term Incentive Plan - PSP & RSP**

Details of the movements for the equity-settled LTIP scheme during the years ended 31 December 2023 and 31 December 2022, were as follows:

	Equity-settled Number of options in thousand	
	2023	2022
<b>Group</b>		
Outstanding at start of financial year	32	35
Granted during the period	11	9
Exercised during the period	(9)	(3)
Forfeited during the period	(3)	(9)
<b>Outstanding at end of financial year</b>	<b>31</b>	<b>32</b>
<b>Exercisable at end of financial year</b>	<b>1</b>	<b>3</b>

The weighted average British American Tobacco p.l.c. share price at the date of exercise for share options exercised during the period was £27.62 (2022: £27.74) for equity-settled options.

The outstanding shares for the year ended 31 December 2023 had a weighted average contractual life of 1.4 years (2022: 1.8 years) for the equity-settled scheme.

## NOTES TO THE FINANCIAL STATEMENTS

**22. Share-based Payments (continued)****22.1 Long-Term Incentive Plan - PSP & RSP (continued)**

	Equity-settled Number of options in thousand	
	2023	2022
<b>Company</b>		
Outstanding at start of financial year	28	29
Granted during the period	11	9
Exercised during the period	(7)	(3)
Forfeited during the period	(3)	(6)
Outstanding at end of financial year	29	29
Exercisable at end of financial year	-	2

The weighted average British American Tobacco p.l.c. share price at the date of exercise for share options exercised during the period was £27.84 (2022: £31.95) for equity-settled options.

The outstanding shares for the year ended 31 December 2023 had a weighted average contractual life of 1.2 years (2022: 1.42 years) for the equity-settled scheme.

**22.2 Deferred Share Bonus Scheme**

Details of the movements for the equity-settled DSBS scheme during the years ended 31 December 2023 and 31 December 2022, were as follows:

	Equity-settled Number of options in thousand	
	2023	2022
<b>Group</b>		
Outstanding at start of financial year	24	30
Granted during the period	11	7
Exercised during the period	(9)	(13)
Forfeited during the period	(3)	-
Outstanding at end of financial year	23	24
Exercisable at end of financial year	-	-

The weighted average British American Tobacco p.l.c. share price at the date of exercise for share options exercised during the period was £28.23 (2022: £27.21) for equity-settled options.

The outstanding shares for the year ended 31 December 2023 had a weighted average contractual life of 1.3 years (2022: 1.3 years) for the equity-settled scheme.

## NOTES TO THE FINANCIAL STATEMENTS

**22. Share-based Payments (continued)****22.2 Deferred Share Bonus Scheme (continued)**

	Equity-settled Number of options in thousand	
	2023	2022
<b>Company</b>		
Outstanding at start of financial year	15	19
Granted during the period	6	5
Forfeited during the period	(6)	(9)
Outstanding at end of financial year	15	15
Exercisable at end of financial year	-	-

The weighted average British American Tobacco p.l.c. share price at the date of exercise for share options exercised during the period was £27.74 (2022: £31.80) for equity-settled options.

The outstanding shares for the year ended 31 December 2023 had a weighted average contractual life of 1.22 years (2022: 1.25 years) for the equity-settled scheme.

**22.3 Other Schemes****International Share Reward Scheme****Group**

The number of outstanding shares at the end of the year for the International Share Reward Scheme were 276 (2022: 566).

**Company**

The number of outstanding shares at the end of the year for the International Share Reward Scheme were 184 (2022: 474).

**Valuation Assumptions**

Assumptions used in the Black-Scholes models to determine the fair value of share options at grant date were as follows:

	2023		2022	
	LTIP - PSP & RSP	DSBS	LTIP - PSP & RSP	DSBS
<b>Group and Company</b>				
Expected volatility (%)	27.0	27.0	27.0	27.0
Average expected term to exercise (years)	3.0	3.0	3.0	3.0
Risk-free rate (%)	3.5	3.5	1.5	1.4
Expected dividend yield (%)	7.7	7.7	6.8	6.8
Share price at date of grant (£)	29.71	29.71	32.18	32.18
Fair value at grant date (£)	23.15 / 23.61	23.61	27.46 / 26.28	26.28

## NOTES TO THE FINANCIAL STATEMENTS

**22. Share-based Payments (continued)****Valuation Assumptions (continued)**

Market condition features were incorporated into the Monte-Carlo models for the total shareholder return elements of the LTIP - PSP, in determining fair value at grant date. Assumptions used in these models were as follows:

	2023	2022
	%	%
<b>Group and Company</b>		
Average share price volatility FMCG comparator group	24	23
Average correlation FMCG comparator group	29	31

Fair values determined from the Black-Scholes and Monte-Carlo models use assumptions revised at the end of each reporting period for equity-settled share-based payment arrangements.

The expected British American Tobacco p.l.c. share price volatility was determined taking account of the return index (the share price index plus the dividend reinvested) over a five-year period. The FMCG share price volatility and correlation was also determined over the same periods. The average expected term to exercise used in the models has been adjusted, based on management's best estimate, for the effects of non-transferability, exercise restrictions and behavioural conditions, forfeiture and historical experience.

The risk-free rate has been determined from market yield curves for government gilts with outstanding terms equal to the average expected term to exercise for each relevant grant. The expected dividend yield was determined by calculating the yield from the last two declared dividends divided by the grant share price.

In addition to these valuation assumptions, LTIP - PSP awards contain earnings per share performance conditions. As these are non-market performance conditions they are not included in the determination of fair value of share options at the grant date, however, they are used to estimate the number of awards expected to vest. This pay-out calculation is based on expectations published in analysts' forecasts.

**Material accounting policy information**

A number of employees of the Group participate in equity-settled share-based compensation plans offered by British American Tobacco p.l.c. (British American Tobacco p.l.c. indirectly through British American Tobacco Holdings (Malaysia) B.V., owns 50 percent equity interest in the Company and is the Company's ultimate holding company).

Equity-settled share-based payments are measured at fair value at the date of grant and are expensed off over the vesting period, based on British American Tobacco p.l.c.'s estimate of awards that will eventually vest. Fair value is measured by the use of the Black-Scholes and Monte-Carlo pricing models. The expected life used in the models has been adjusted, based on management's best estimate, for the effects of non-transferability, exercise restrictions and behavioural considerations, forfeiture and historical experience.

The grant by British American Tobacco p.l.c. of options over its equity instruments to the employees of the Group is treated as a capital contribution. The fair value of employee services received, measured by reference to the grant date fair value, is recognised over the vesting period as an expense in the profit or loss, with a corresponding credit to equity.

## NOTES TO THE FINANCIAL STATEMENTS

**23. Segment Reporting**

The Group is organised and managed on the basis of its geographic regions. These are the reportable segments for the Group as they form the focus of the Group's internal reporting systems and are the basis used by the chief operating decision maker, identified as the Group's Managing Director, for assessing performance and allocating resources.

Performance is measured based on segment revenue and gross profit, as included in the internal management reports that are reviewed by the Group's Managing Director. Segment revenue and gross profit are used to measure performance as management believes that such information is the most relevant in evaluating the results of the segments relative to other entities that operate within these industries.

The Group does not have any non-current assets that are located in countries other than Malaysia.

The Group and the Company are domiciled in Malaysia. The revenue from external customers is RM2,310,999,000 (2022: RM2,596,574,000).

Segment assets, liabilities and capital expenditures information is neither included in the internal management reports nor provided regularly to the Group's Managing Director who is considered the Group's chief operating decision maker. Hence no such disclosures are provided below.

	2023			2022		
	West Malaysia RM'000	East Malaysia RM'000	Total RM'000	West Malaysia RM'000	East Malaysia RM'000	Total RM'000
<b>Segment revenue and results</b>						
Revenue	2,104,422	206,577	2,310,999	2,335,044	261,530	2,596,574
Gross profit	514,965	53,069	568,034	609,675	68,285	677,960

	2023 RM'000	2022 RM'000
<b>Reconciliation of reportable segment operating profits</b>		
Total gross profits for reporting segments	568,034	677,960
Depreciation and amortisation	(19,478)	(17,279)
Finance costs	(24,293)	(21,677)
Total unallocated operating expense	(267,924)	(253,592)
Consolidated profit before tax	256,339	385,412

**Major customers**

The following are customers with revenue equal or more than 10 percent of the Group's total revenue:

	2023 RM'000	2022 RM'000
- Customer A	1,684,249	1,990,130
- Customer B	399,823	296,021

## NOTES TO THE FINANCIAL STATEMENTS

**23. Segment Reporting (continued)****Material accounting policy information**

An operating segment is a component of the Group that engages in business activities from which it may earn revenues and incur expenses, including revenues and expenses that relate to transactions with any of the Group's other components. Operating segments results are reviewed regularly by the chief operating decision maker, which in this case is the Managing Director of the Group, to make decisions about resources to be allocated to the segment and to assess its performance, and for which discrete financial information is available.

**24. Financial Instruments****24.1 Categories of Financial Instruments**

The table below provides an analysis of financial instruments categorised under MFRS 9 as follows:

- (a) Financial assets measured at amortised cost (FAAC); and
- (b) Financial liabilities measured at amortised cost (FLAC).

<b>2023</b>	<b>Carrying</b>	<b>FAAC /</b>	<b>Derivative</b>
<b>Financial assets</b>	<b>amount</b>	<b>FLAC</b>	<b>used for</b>
	<b>RM'000</b>	<b>RM'000</b>	<b>hedging</b>
			<b>RM'000</b>
<b>Group</b>			
Trade and other receivables (excluding prepayments)	623,016	623,016	-
Cash and bank balances	27,849	27,849	-
Derivative financial assets	4,950	-	4,950
	<b>655,815</b>	<b>650,865</b>	<b>4,950</b>
<b>Company</b>			
Trade and other receivables (excluding prepayments)	2,485	2,485	-
Cash and bank balances	21,051	21,051	-
	<b>23,536</b>	<b>23,536</b>	<b>-</b>
<b>2023</b>			
<b>Financial liabilities</b>			
	<b>Carrying</b>	<b>FAAC /</b>	<b>Derivative</b>
	<b>amount</b>	<b>FLAC</b>	<b>used for</b>
	<b>RM'000</b>	<b>RM'000</b>	<b>hedging</b>
			<b>RM'000</b>
<b>Group</b>			
Borrowings	543,000	543,000	-
Trade and other payables (excluding provision for restructuring)	206,725	206,725	-
Derivative financial liabilities	809	-	809
	<b>750,534</b>	<b>749,725</b>	<b>809</b>
<b>Company</b>			
Trade and other payables	247,900	247,900	-

## NOTES TO THE FINANCIAL STATEMENTS

## 24. Financial Instruments (continued)

## 24.1 Categories of Financial Instruments (continued)

2022	Carrying amount	FAAC / FLAC	Derivative used for hedging
Financial assets	RM'000	RM'000	RM'000
<b>Group</b>			
Trade and other receivables (excluding prepayments)	761,770	761,770	-
Cash and bank balances	16,636	16,636	-
Derivative financial assets	1,928	-	1,928
	<b>780,334</b>	<b>778,406</b>	<b>1,928</b>
<b>Company</b>			
Trade and other receivables (excluding prepayments)	12,446	12,446	-
Cash and bank balances	6,464	6,464	-
	<b>18,910</b>	<b>18,910</b>	<b>-</b>
<b>Financial liabilities</b>			
<b>Group</b>			
Borrowings	695,000	695,000	-
Trade and other payables (excluding provision for restructuring)	193,800	193,800	-
Derivative financial liabilities	1,606	-	1,606
	<b>890,406</b>	<b>888,800</b>	<b>1,606</b>
<b>Company</b>			
Trade and other payables (excluding provision for restructuring)	278,793	278,793	-

## 24.2 Net Gains and Losses Arising from Financial Instruments

	Group		Company	
	2023 RM'000	2022 RM'000	2023 RM'000	2022 RM'000
<b>Net (losses)/gains on:</b>				
Derivative used for hedging				
- recognised in profit or loss	2,343	1,946	-	-
- recognised in other comprehensive income	3,541	648	-	-
Financial assets measured at amortised cost	(878)	1,131	553	750
Financial liabilities measured at amortised cost	(24,348)	(22,677)	(246)	(6,449)
	<b>(19,342)</b>	<b>(18,952)</b>	<b>307</b>	<b>(5,699)</b>

## NOTES TO THE FINANCIAL STATEMENTS

**24. Financial Instruments (continued)****24.3 Financial Risk Management**

The Group and the Company have exposure to the following risks from its use of financial instruments:

- Credit risk
- Liquidity and cash flow risk
- Market risk

**24.4 Credit Risk**

Credit risk is the risk of a financial loss to the Group if a customer or counterparty to a financial instrument fails to meet its contractual obligations. The Group's exposure to credit risk arises principally from the individual characteristics of its receivables from customers, amounts due from fellow subsidiaries, short-term deposit and bank balances and outstanding forward exchange contracts. The Company's exposure to credit risk arises principally from amounts due from fellow subsidiaries. There are no significant changes as compared to previous years.

**Trade Receivables*****Risk Management Objective, Policies and Processes for Managing The Risk***

Management has a credit policy in place and the exposure to credit risk is monitored on an ongoing basis. Credit evaluations are performed on all customers requiring credit over a certain amount with clear approving authority and limits.

Approximately 92 percent (2022: 94 percent) of the Group's trade receivables are derived from its sales to two (2022: two) of its key customers. The Group closely monitors collections from these customers. At each reporting date, the Group assess whether any of the receivables are credit-impaired.

The gross carrying amounts of credit-impaired trade receivables are written off (either partially or fully) when there is no realistic prospect of recovery. This is generally the case when the Group determines that the debtor does not have assets or sources of income that could generate sufficient cash flows to repay the amounts subject to the write-off. Nevertheless, trade receivables that are written off could still be subjected to enforcement activities. The Group does not foresee any credit risk arising from amounts due from fellow subsidiary companies.

There are no significant changes as compared to previous year.

***Exposure to Credit Risk, Credit Quality and Collateral***

As at the end of the reporting period, the maximum exposure to credit risk arising from receivables is represented by the carrying amounts in the statement of financial position.

A significant portion of these receivables are regular customers that have been transacting with the Group.

Short-term advances are only provided to subsidiaries which are wholly-owned by the Company.

***Concentration of Credit Risk***

The exposure of credit risk for trade receivables, net of allowance for impairment losses, as at the end of the reporting period by customers are disclosed in this Note.

## NOTES TO THE FINANCIAL STATEMENTS

**24. Financial Instruments (continued)****24.4 Credit Risk (continued)****Trade Receivables (continued)****Recognition and Measurement of Impairment Loss**

The Group uses an allowance matrix to measure expected credit losses of trade receivables. Any receivables having significant balances past due more than 90 days, which are deemed to have higher credit risk, are monitored individually.

To measure the expected credit losses, trade receivables have been grouped based on credit risk and days past due.

The following table provides information about the exposure to credit risk and expected credit losses for trade receivables as at 31 December 2023 and 31 December 2022.

<b>Group</b>	<b>Gross RM'000</b>	<b>Loss allowance RM'000</b>	<b>Net RM'000</b>
<b>2023</b>			
Current (not past due)	493,887	(555)	493,332
Past due 1 – 30 days	108,956	(131)	108,825
Past due 31 – 90 days	11,671	(120)	11,551
Past due more than 90 days	(464)	-	(464)
	<b>614,050</b>	<b>(806)</b>	<b>613,244</b>
<b>2022</b>			
Current (not past due)	671,980	(672)	671,308
Past due 1 – 30 days	68,382	(83)	68,299
Past due 31 – 90 days	-	-	-
Past due more than 90 days	116	(116)	-
	<b>740,478</b>	<b>(871)</b>	<b>739,607</b>

**Movements in the Allowance for Impairment in Respect of Trade Receivables**

The movements in the allowance for impairment in respect of trade receivables during the year are as follows:

<b>Group</b>	<b>RM'000</b>
<b>Balance at 1 January 2022</b>	606
Net remeasurement of loss allowance	575
Amounts written off	(310)
<b>Balance at 31 December 2022/ 1 January 2023</b>	871
Net remeasurement of loss allowance	(177)
Amounts written off	112
<b>Balance at 31 December 2023</b>	806

## NOTES TO THE FINANCIAL STATEMENTS

**24. Financial Instruments (continued)****24.4 Credit Risk (continued)****Trade Receivables (continued)****Amounts Due from Fellow Subsidiaries**

The ageing of amounts due from fellow subsidiaries as at the end of the financial year ended was:

	2023 RM'000	2022 RM'000
<b>Group</b>		
Not past due	7,456	15,633
<b>Company</b>		
Not past due	209	10,228

Generally, the Group and Company consider amounts due from fellow subsidiaries as low credit risk. The Group and Company determine the probability of default for these amounts due from fellow subsidiaries individually using internal information. For the financial year ended 31 December 2023, there was no evidence that the amounts due from fellow subsidiaries are not recoverable.

**Amounts Due from Subsidiaries**

The ageing of amounts due from fellow subsidiaries as at the end of the financial year ended was:

	2023 RM'000	2022 RM'000
<b>Company</b>		
Not past due	574	316

Generally, the Company consider amounts due from subsidiaries as low credit risk. The Company determine the probability of default for these amounts due from subsidiaries individually using internal information. For the financial year ended 31 December 2023, there was no evidence that the amounts due from fellow subsidiaries are not recoverable.

**Material accounting policy information****(a) Impairment****(i) Financial Assets**

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

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

## NOTES TO THE FINANCIAL STATEMENTS

**24. Financial Instruments (continued)****24.4 Credit Risk (continued)****Material accounting policy information (continued)****(a) Impairment (continued)****(i) Financial Assets (continued)**

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

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

The Group and the Company estimate the expected credit losses on trade receivables using a provision matrix with reference to historical credit loss experience.

An impairment loss in respect of financial assets measured at amortised cost is recognised in the profit or loss and the carrying amount of the asset is reduced through the use of an allowance account.

An impairment loss in respect of debt investments measured at fair value through other comprehensive income is recognised in the profit or loss and the allowance account is recognised in other comprehensive income.

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

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

## NOTES TO THE FINANCIAL STATEMENTS

**24. Financial Instruments (continued)****24.4 Credit Risk (continued)****Cash and Bank Balances**

The cash and bank balances are held with banks and financial institutions. For the financial year ended 31 December 2023, the maximum exposure to credit risk is represented by the carrying amounts in the statement of financial position.

These banks and financial institutions have low credit risks. Consequently, the Group and the Company are of the view that the loss allowance is not material and hence, it is not provided for.

Cash and cash equivalents consist of cash on hand, balances and deposits with banks, bank overdraft and highly liquid investments which have an insignificant risk of changes in fair value with original maturities of three months or less, and are used by the Group and the Company in the management of their short-term commitments. For the purpose of the statements of cash flows, cash and cash equivalents are presented net of bank overdrafts.

**Other Receivables**

Expected credit loss of other receivables is determined individually after considering the financial strength of the other receivables. Based on management's assessment, the probability of the default of these receivables is low and hence, no loss allowance has been made.

**24.5 Liquidity and Cash Flow Risk**

Liquidity risk is the risk that the Group will not be able to meet its financial obligations as they fall due. The Group's exposure to liquidity risk arises principally from its various payables and borrowings.

The Group actively manages its debt maturity profile, operating cash flows and the availability of funding so as to ensure that all refinancing, repayment and funding needs are met. As part of its overall prudent liquidity management, the Group maintains sufficient levels of cash and bank balances to meet its working capital requirements. In addition, the Group strives to maintain available banking facilities of a reasonable level to its overall debt position. As far as possible, the Group raises committed funding from both capital markets and financial institutions so as to achieve overall cost effectiveness.

The Group utilises cash pooling and zero balancing bank account structures in addition to borrowings to ensure that there is maximum mobilisation of cash within the Group. The key objective of treasury management in respect of cash and bank balances is to concentrate cash at the centre for better cash management.

It is not expected that the cash flows included in the maturity analysis could occur significantly earlier, or at significantly different amounts.

## NOTES TO THE FINANCIAL STATEMENTS

## 24. Financial Instruments (continued)

## 24.5 Liquidity and Cash Flow Risk (continued)

The table below summarises the maturity profile of the Group's and of the Company's liabilities based on estimated contractual undiscounted repayment obligations.

2023	Carrying amount RM'000	Contractual interest rate/ incremental borrowing rate RM'000	Estimated contractual cash flows RM'000	Under 1 year RM'000	1-2 years RM'000	2-5 years RM'000	More than 5 years RM'000
<b>Group</b>							
<b>Non-derivative financial liabilities</b>							
Borrowings	543,000	3 - 4%	546,754	546,754	-	-	-
Lease liabilities	48,665	3 - 4%	54,619	16,048	10,858	13,024	14,689
Trade and other payables	206,725	-	206,725	206,725	-	-	-
	798,390		808,098	769,527	10,858	13,024	14,689
<b>Derivative financial liabilities</b>							
Derivative financial instruments							
- Outflow	809	-	809	809	-	-	-
	799,199		808,907	770,336	10,858	13,024	14,689
<b>Company</b>							
<b>Non-derivative financial liabilities</b>							
Lease liabilities	13,922	3 - 4%	14,498	6,383	5,351	2,764	-
Trade and other payables	16,994	-	16,994	16,994	-	-	-
Amounts due to subsidiaries	230,906	3%	231,483	231,483	-	-	-
	261,822		262,975	254,860	5,351	2,764	-

## NOTES TO THE FINANCIAL STATEMENTS

## 24. Financial Instruments (continued)

## 24.5 Liquidity and Cash Flow Risk (continued)

2022	Carrying amount RM'000	Contractual interest rate/ incremental borrowing rate RM'000	Estimated contractual cash flows RM'000	Under 1 year RM'000	1-2 years RM'000	2-5 years RM'000	More than 5 years RM'000
<b>Group</b>							
<b>Non-derivative financial liabilities</b>							
Borrowings	695,000	3 - 4%	697,162	697,162	-	-	-
Lease liabilities	33,762	3 - 4%	35,316	12,960	12,144	7,410	2,802
Trade and other payables	193,800	-	193,800	193,800	-	-	-
	922,562		926,278	903,922	12,144	7,410	2,802
<b>Derivative financial liabilities</b>							
Derivative financial instruments							
- Outflow	1,606	-	1,606	1,606	-	-	-
	924,168		927,884	905,528	12,144	7,410	2,802
<b>Company</b>							
<b>Non-derivative financial liabilities</b>							
Lease liabilities	18,142	3 - 4%	19,140	5,291	5,422	5,355	3,072
Trade and other payables	15,504	-	15,504	15,504	-	-	-
Amounts due to subsidiaries	263,289	3%	263,947	263,947	-	-	-
	296,935		298,591	284,742	5,422	5,355	3,072

## NOTES TO THE FINANCIAL STATEMENTS

**24. Financial Instruments (continued)****24.6 Market Risk**

Market risk is the risk that changes in market prices, such as foreign exchange rates, interest rates and other prices that will affect the Group's and the Company's financial position or cash flows.

**24.6.1 Currency Risk**

The Group is subject to currency exchange risk as a result of its purchases of finished goods and services in foreign currencies. The currencies giving rise to this risk are US Dollar ("USD"), Great Britain Pound ("GBP") and Euro ("EUR"). The currency profile of the assets and liabilities of the Group are disclosed in the respective notes to the financial statements.

The objective of the Group's foreign exchange policies is to allow the Group to manage exposures that arise from trading activities effectively within a framework of controls that does not expose the Group to unnecessary foreign exchange risks.

The Group enters into forward foreign exchange contracts to hedge up to 95 percent of its exposure on foreign currency payables and on cash flows to be used in anticipated transactions denominated in foreign currencies for the subsequent eighteen months. The Group's hedging period of eighteen months is in line with the hedging period that was allowed under the Foreign Exchange Control guidelines enforced by Bank Negara Malaysia.

**Exposure to Foreign Currency Risk**

The Group's and the Company's exposure to foreign currency (a currency which is other than the functional currency of the Group) risk, based on carrying amounts as at the end of the reporting period were:

	2023			2022		
	Denominated in			Denominated in		
	USD	GBP	EUR	USD	GBP	EUR
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
<b>Group</b>						
Trade payables	(36)	-	(467)	(36)	(17)	-
Cash and bank balances	3,614	1,623	556	1,472	753	125
Amounts due from fellow subsidiaries	2,465	687	-	812	67	-
Amounts due to fellow subsidiaries	(10,123)	(1,186)	-	(14,319)	(888)	(89)
Net exposure in the statement of financial position	(4,080)	1,124	89	(12,071)	(85)	36
<b>Company</b>						
Cash and bank balances	882	524	-	814	284	-
Amounts due from fellow subsidiaries	194	-	-	28	-	-
Amounts due to fellow subsidiaries	(59)	(257)	-	-	(766)	-
Net exposure in the statement of financial position	1,017	267	-	842	(482)	-

## NOTES TO THE FINANCIAL STATEMENTS

**24. Financial Instruments (continued)****24.6 Market Risk (continued)****24.6.1 Currency Risk (continued)*****Currency Risk Sensitivity Analysis***

A 10 percent (2022: 10 percent) strengthening of RM against the following currencies at the end of the financial year would have increased/(decreased) profit before tax by the amounts shown below. This analysis assumes that all other variables, in particular ratio, remain constant and ignores any impact of forecasted sales and purchases.

	Group		Company	
	2023 RM'000	2022 RM'000	2023 RM'000	2022 RM'000
USD	408	1,207	(102)	(84)
GBP	(112)	8	(27)	48
EUR	(9)	(4)	-	-

A 10 percent (2022: 10 percent) weakening of RM against the above currencies at the end of the financial year would have had equal but opposite effect on the above currencies to the amounts shown above, on the basis that all other variables remain constant.

**Material accounting policy information**

Transactions in foreign currencies are translated to the respective functional currencies of the Group at exchange rates at the dates of the transactions.

Monetary assets and liabilities denominated in foreign currencies at financial year end are retranslated to the functional currency at the exchange rate at that date.

Non-monetary assets and liabilities denominated in foreign currencies are not retranslated at the end of the reporting date, except for those that are measured at fair value are retranslated to the functional currency at the exchange rate at the date that the fair value was determined.

Foreign currency differences arising on retranslation are recognised in the profit or loss, except for differences arising on the retranslation of equity instruments where they are measured at fair value through other comprehensive income or a financial instrument designated as a cash flow hedge, which are recognised in other comprehensive income.

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

**24.6.2 Interest Rate Risk**

Interest rate risk comprises interest price risk that results from borrowings at fixed rates and interest cash flow risk that results from borrowings at variable rates. Short-term receivables and payables are not significantly exposed to interest rate risk.

## NOTES TO THE FINANCIAL STATEMENTS

**24. Financial Instruments (continued)****24.6 Market Risk (continued)****24.6.2 Interest Rate Risk (continued)**

The objectives of the Group's interest rate risk management policy are to lessen the impact of adverse interest rate movements on earnings, cash flow and economic value of the Group. As at the statement of financial position date, there were no open interest rate swap contracts. Borrowings issued at floating rates expose the Group to risk of change in cash flows due to change in interest rate risks. The Group has floating rate borrowings as disclosed in Note 19.

***Exposure to interest rate risk***

The interest rate profile of the Group's and the Company's significant interest-bearing financial instruments, based on carrying amounts as at the end of the reporting period are as follows:

	Group		Company	
	2023 RM'000	2022 RM'000	2023 RM'000	2022 RM'000
<b>Fixed rate instruments</b>				
Financial liabilities	48,665	33,762	13,922	18,142
<b>Floating rate instruments</b>				
Financial liabilities	543,000	695,000	-	-

***Cash flow sensitivity analysis for variable rate instruments***

A change of 100 basis point ("bp") in interest rates at the end of reporting period would have increased/(decreased) equity and pre-tax profit by the amounts shown below:

Group	2023		2022	
	Profit or loss		Profit or loss	
	100 bp increase RM'000	100 bp decrease RM'000	100 bp increase RM'000	100 bp decrease RM'000
Floating rate instruments	(5,430)	5,430	(6,950)	6,950

## NOTES TO THE FINANCIAL STATEMENTS

**24. Financial Instruments (continued)****24.7 Fair Value Information**

The carrying amounts of cash and bank balances, short-term receivables and payables and borrowings reasonably approximate their fair values due to the relatively short-term nature of these financial instruments. Accordingly, the fair values and fair value hierarchy levels have not been presented for these instruments.

The Group measures its forward foreign exchange contracts (cash flow hedges) at fair values, as disclosed in Note 20. The fair values of forward foreign exchange contracts are determined based on the quoted market price of similar derivatives, as they are not traded on an active market. These derivatives are classified as Level 2 financial instruments.

The Group measures the fair values of its borrowings based on observable yield curves. The fair value of the Group's financial assets and financial liabilities approximate to their carrying value.

The Group or the Company applies settlement date accounting for regular way purchase or sale of financial assets.

**Material accounting policy information**

Fair value of an asset or a liability, except for share-based payment and lease transactions, is determined as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The measurement assumes that the transaction to sell the asset or transfer the liability takes place either in the principal market or in the absence of a principal market, in the most advantageous market.

For non-financial asset, the fair value measurement takes into account a market participant's ability to generate economic benefits by using the asset in its highest and best use or by selling it to another market participant that would use the asset in its highest and best use.

When measuring the fair value of an asset or a liability, the Group uses observable market data as far as possible. Fair value are categorised into different levels in a fair value hierarchy based on the input used in the valuation technique as follows:

Level 1: quoted prices (unadjusted) in active markets for identical assets or liabilities that the Group can access at the measurement date.

Level 2: inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly.

Level 3: unobservable inputs for the asset or liability.

The Group recognises transfers between levels of the fair value hierarchy as of the date of the event or change in circumstances that caused the transfers.

## NOTES TO THE FINANCIAL STATEMENTS

**25. Capital Management**

The Group's objectives when managing capital is to maintain a strong capital base and safeguard the Group's ability to continue as a going concern, so as to maintain investor, creditor and market confidence and to sustain future development of the business. The Directors monitor and are determined to maintain an optimal debt-to-equity ratio.

The Group defines capital as net debt and equity. Net debt is calculated as total borrowings less cash and bank balances. The debt-to-equity ratios at 31 December 2023 and at 31 December 2022 were as follows:

	Group	
	2023 RM'000	2022 RM'000
Total borrowings (Note 19)	543,000	695,000
Less: Cash and bank balances	(27,849)	(16,636)
<b>Net debt</b>	<b>515,151</b>	<b>678,364</b>
Total equity	377,559	377,136
Debt-to-equity ratio	1.4	1.8

There was no change in the Group's approach to capital management during the financial year.

**26. Capital Commitments**

The Group and the Company have no capital commitments as at 31 December 2023.

**27. Related Parties****Identity of Related Parties**

For the purposes of these financial statements, parties are considered to be related to the Group if the Group or the Company has the ability, directly or indirectly, to control the party or exercise significant influence over the party in making financial and operating decisions, or vice versa, or where the Group or the Company and the party are subject to common control or common significant influence. Related parties may be individuals or other entities.

Related parties also include key management personnel defined as those persons having authority and responsibility for planning, directing and controlling the activities of the Group either directly or indirectly. The key management personnel include all the Directors of the Group. The Directors' remuneration paid is disclosed in Note 5.

The Group has related party relationship with its holding company, subsidiaries and key management personnel.

**Significant Related Party Transactions**

The Group's and the Company's transactions are with member corporations of British American Tobacco p.l.c. (British American Tobacco p.l.c. indirectly through British American Tobacco Holdings (Malaysia) B.V., owns fifty percent equity interest in the Company and is the Company's ultimate holding company).

## NOTES TO THE FINANCIAL STATEMENTS

**27. Related Parties (continued)****Significant Related Party Transactions (continued)**

The significant related party transactions of the Group and of the Company are shown below. The balances related to the transactions below are shown in Note 16 and Note 18.

	Group	
	2023 RM'000	2022 RM'000
(i) Purchase of goods		
Purchase of leaf, cigarette packaging and wrapping materials and tobacco products from:		
- PT Bentoel Prima	149,483	165,415
Purchase of vapour and tobacco heating products from:		
- Nicoventures Trading Limited	59,397	-
(ii) Procurement of services		
Procurement of information technology services from:		
- British American Shared Services (GSD) Limited	18,556	18,923
(iii) Technical and advisory (includes share-based payment charges)		
Payment for technical and advisory support services to:		
- British American Tobacco Investments Ltd.	13,134	16,856
- BAT Aspac Service Centre Sdn. Bhd.	18,845	12,667
	31,979	29,523
(iv) Royalties		
Royalties paid/payable to:		
- British American Tobacco Exports Limited	73,037	87,902

## NOTES TO THE FINANCIAL STATEMENTS

**27. Related Parties (continued)****Significant Related Party Transactions (continued)**

	Company	
	2023 RM'000	2022 RM'000
(i) Management fee		
Management fee received from:		
- Commercial Marketers and Distributors Sdn. Bhd.	2,795	3,427
- Tobacco Importers and Manufacturers Sdn. Berhad	123	158
	2,918	3,585
(ii) Fee for usage of property, plant and equipment		
Fee for usage of property, plant and equipment received from:		
- Commercial Marketers and Distributors Sdn. Bhd.	2,009	2,314
- Tobacco Importers and Manufacturers Sdn. Berhad	59	59
	2,068	2,373
(iii) Technical and advisory		
Provision of technical and advisory fees received from:		
- British American Tobacco Sales & Marketing (Singapore) Pte. Ltd.	916	916
- British American Tobacco Asia-Pacific Region Limited	-	312
	916	1,228
(iv) Technical and advisory		
Payment of fees for technical and advisory support services to:		
- BAT Aspac Service Centre Sdn. Bhd.	13,309	3,656
(v) Interest expense		
Interest expense on cash pooling:		
- Commercial Marketers and Distributors Sdn. Bhd.	1,429	5,231
- Tobacco Importers and Manufacturers Sdn. Berhad	6,437	1,194
	7,866	6,425

**28. Contingent Liabilities**

There were no contingent liabilities as at the reporting date.

**Material accounting policy information**

Where it is not probable that an outflow of economic benefits will be required, or the amount cannot be estimated reliably, the obligation is not recognised in the statement of financial position and is disclosed as a contingent liability, unless the probability of outflow of economic benefits is remote. Possible obligations, whose existence will only be confirmed by the occurrence or non-occurrence of one or more future events, are also disclosed as contingent liabilities unless the probability of outflow of economic benefits is remote.

## STATEMENT BY DIRECTORS

PURSUANT TO SECTION 251(2) OF THE COMPANIES ACT 2016

In the opinion of the Directors, the financial statements set out on pages 143 to 208 are drawn up in accordance with Malaysian Financial Reporting Standards (“MFRSs”), IFRS Accounting Standards as issued by the International Accounting Standards Board (“IFRS Accounting Standards”) and the requirements of Companies Act 2016 in Malaysia so as to give a true and fair view of the financial position of the Group and of the Company as of 31 December 2023 and of their financial performance and cash flows for the financial year then ended.

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

**Nedal Louay Salem**  
Director

**Anthony Yong Mun Seng**  
Director

Kuala Lumpur

Date: 22 February 2024

## STATUTORY DECLARATION

PURSUANT TO SECTION 251(B) OF THE COMPANIES ACT 2016

I, Anthony Yong Mun Seng, the Director primarily responsible for the financial management of British American Tobacco (Malaysia) Berhad, do solemnly and sincerely declare that the financial statements set out on pages 143 to 208 are, to the best of my knowledge and belief, correct and I make this solemn declaration conscientiously believing the declaration to be true, and by virtue of the Statutory Declarations Act, 1960.

Subscribed and solemnly declared by the abovenamed Anthony Yong Mun Seng, MIA CA: 25298, at Kuala Lumpur in the State of Federal Territory on 22 February 2024.

**Anthony Yong Mun Seng**  
Director

Before me:

**Commissioner for Oaths**

## INDEPENDENT AUDITORS' REPORT

TO THE MEMBERS OF BRITISH AMERICAN TOBACCO (MALAYSIA) BERHAD  
(COMPANY NO. 196101000326 (4372-M)) (INCORPORATED IN MALAYSIA)

### Report on the Audit of the Financial Statements

#### Opinion

We have audited the financial statements of British American Tobacco (Malaysia) Berhad, which comprise the statements of financial position as at 31 December 2023 of the Group and of the Company, and the statements of profit or loss, statements of other comprehensive income, statements of changes in equity and statements of cash flows of the Group and of the Company for the year then ended, and notes to the financial statements, including material accounting policy information, as set out on pages 143 to 208.

In our opinion, the accompanying financial statements give a true and fair view of the financial position of the Group and of the Company as at 31 December 2023, and of their financial performance and their cash flows for the year then ended in accordance with Malaysian Financial Reporting Standards, IFRS Accounting Standards as issued by the International Accounting Standards Board (IFRS Accounting Standards) and the requirements of the Companies Act 2016 in Malaysia.

#### Basis for Opinion

We conducted our audit in accordance with approved standards on auditing in Malaysia and International Standards on Auditing. Our responsibilities under those standards are further described in the Auditors' Responsibilities for the Audit of the Financial Statements section of our auditors' report. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

#### *Independence and Other Ethical Responsibilities*

We are independent of the Group and of the Company in accordance with the *By-Laws (on Professional Ethics, Conduct and Practice)* of the Malaysian Institute of Accountants ("By-Laws") and the International Ethics Standards Board for Accountants' *International Code of Ethics for Professional Accountants (including International Independence Standards)* ("IESBA Code"), and we have fulfilled our other ethical responsibilities in accordance with the By-Laws and the IESBA Code.

#### Key Audit Matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the financial statements of the Group and of the Company for the current year. These matters were addressed in the context of our audit of the financial statements of the Group and of the Company as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

#### Goodwill - Assessment of potential impairment

Refer to Note 12 – Goodwill.

#### The key audit matter

The carrying amount of the Group's goodwill as at 31 December 2023 amounts to RM411,618,000.

The Group performs annual impairment assessment of its goodwill with indefinite useful life by comparing the carrying amount of the goodwill against the recoverable amount of the cash generating unit to which the goodwill is allocated. The recoverable amount is determined based on management estimates and assumptions on inputs, as disclosed in Note 12 to the financial statements.

We have identified goodwill assessment as a key audit matter for the Group because:

- the carrying amount is significant to the Group's total assets; and
- there is significant judgement involved in the forecasting and discounting of future cash flows, which is the basis of the Group's assessment of the recoverable amount of the goodwill.

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### Key Audit Matters (continued)

#### How the matter was addressed in our audit

We performed the following audit procedures:

- Compared prior year cash flow forecasts to current year actual results to assess the performance of the business and the reliability of prior year's forecasts; and
- Tested the assumptions and basis used. To do this, we:
  - involved our internal valuation specialists to evaluate and compare the discount rate to similar companies in the market.
  - compared the key assumptions to externally derived data as well as our own assessments of the key inputs such as revenue, volume growth, terminal growth rate and discount rate.
  - assessed the sensitivity of the outcome of the impairment assessment to changes in key assumptions.

We have determined that there are no key audit matters in the audit of the separate financial statements of the Company to communicate in our auditors' report.

#### Information Other than the Financial Statements and Auditors' Report Thereon

The Directors of the Company are responsible for the other information. The other information comprises the information included in the Directors' Report and Statement on Risk Management and Internal Control, but does not include the financial statements of the Group and of the Company and our auditors' report thereon, which we obtained prior to the date of this auditors' report, and the remaining parts of the annual report, which are expected to be made available to us after that date.

Our opinion on the financial statements of the Group and of the Company does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements of the Group and of the Company, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements of the Group and of the Company or our knowledge obtained in the audit, or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of the other information, we are required to report that fact. We have nothing to report in this regard.

When we read the remaining parts of the annual report, if we conclude that there is a material misstatement therein, we are required to communicate the matter to the Directors of the Company and take appropriate actions in accordance with approved standards on auditing in Malaysia and International Standards on Auditing.

#### Responsibilities of the Directors for the Financial Statements

The Directors of the Company are responsible for the preparation of financial statements of the Group and of the Company that give a true and fair view in accordance with Malaysian Financial Reporting Standards, IFRS Accounting Standards and the requirements of the Companies Act 2016 in Malaysia. The Directors are also responsible for such internal control as the Directors determine is necessary to enable the preparation of financial statements of the Group and of the Company that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements of the Group and of the Company, the Directors are responsible for assessing the ability of the Group and of the Company to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the Directors either intend to liquidate the Group or the Company or to cease operations, or have no realistic alternative but to do so.

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TO THE MEMBERS OF BRITISH AMERICAN TOBACCO (MALAYSIA) BERHAD  
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### Auditors' Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements of the Group and of the Company as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with approved standards on auditing in Malaysia and International Standards on Auditing will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with approved standards on auditing in Malaysia and International Standards on Auditing, we exercise professional judgement and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements of the Group and of the Company, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the internal control of the Group and of the Company.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Directors.
- Conclude on the appropriateness of the Directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the ability of the Group or of the Company to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the financial statements of the Group and of the Company or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors' report. However, future events or conditions may cause the Group or the Company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements of the Group and of the Company, including the disclosures, and whether the financial statements of the Group and of the Company represent the underlying transactions and events in a manner that gives a true and fair view.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the financial statements of the Group. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with the Directors regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide the Directors with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, actions taken to eliminate threats or safeguards applied.

From the matters communicated with the Directors, we determine those matters that were of most significance in the audit of the financial statements of the Group and of the Company for the current year and are therefore the key audit matters. We describe these matters in our auditors' report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our auditors' report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

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**Other Matter**

This report is made solely to the members of the Company, as a body, in accordance with Section 266 of the Companies Act 2016 in Malaysia and for no other purpose. We do not assume responsibility to any other person for the content of this report.

**KPMG PLT**  
(LLP0010081-LCA & AF 0758)  
Chartered Accountants

**Soo Tho Pei Yin**  
Approval Number: 03699/12/2024 J  
Chartered Accountant

Petaling Jaya

Date: 22 February 2024

## GRI STANDARDS INDEX

**Statement of Use** BAT Malaysia has reported the information cited in this GRI content index for the period 1 January 2023 to 31 December 2023 to with reference to the GRI Standards.

**GRI 1 Used** GRI 1: Foundation 2021

GRI Disclosure	GRI Disclosure Description	Page Number	Remarks/Omissions
<b>GRI 2: General Disclosures 2021</b>			
<b>The Organisation and its Reporting Practices</b>			
2-1	Organisational details	Pages 8 to 11	
2-2	Entities included in the organisation's sustainability reporting	Page i	
2-3	Reporting period, frequency and contact point	Page i	
2-4	Restatements of information	-	There were no restatements in the reporting year
2-5	External assurance	Page 22	This Report has not been externally assured
<b>Activities and Workers</b>			
2-6	Activities, value chain and other business relationships	Pages 8 to 11	
2-7	Employees	Page 70	
2-8	Workers who are not employees	Page 71	
<b>Governance</b>			
2-9	Governance structure and composition	Pages 94 to 121	
2-10	Nomination and selection of the highest governance body	Pages 94 to 121	
2-11	Chair of the highest governance body	Pages 94 to 121	
2-12	Role of the highest governance body in overseeing the management of impacts	Pages 94 to 121	
2-13	Delegation of responsibility for managing impacts	Pages 94 to 121	
2-14	Role of the highest governance in sustainability reporting	Pages 94 to 121	
2-15	Conflicts of interest	Pages 94 to 121	
2-16	Communication of critical concerns	Pages 94 to 121	
2-17	Collective knowledge of the highest governance body	Pages 94 to 121	
2-18	Evaluation of the performance of the highest governance body	Pages 94 to 121	
2-19	Remuneration policies	Pages 94 to 121	
2-20	Process to determine remuneration	Pages 94 to 121	
2-21	Annual total compensation ratio	Pages 94 to 121	
<b>Strategy, Policies and Practices</b>			
2-22	Statement on sustainable development strategy	Pages 18 to 25	
2-23	Policy commitments	Pages 106 to 123	
2-24	Embedding policy commitments	Pages 106 to 123	
2-25	Processes to remediate negative impacts	Pages 122 to 123	
2-26	Mechanisms for seeking advice and raising concerns	Pages 122 to 123	
2-27	Compliance with laws and regulations	Pages 106 to 123	
2-28	Membership associations	-	<ul style="list-style-type: none"> <li>• Confederation of Malaysia Tobacco Manufacturers (CMTM)</li> <li>• Malaysian International Chamber of Commerce and Industry (MICCI)</li> <li>• Federation of Malaysian Manufacturers (FMM)</li> <li>• British Malaysian Chamber of Commerce (BMCC)</li> <li>• Retail and Trade Brand Advocacy (RTBA)</li> <li>• Institute of Corporate Directors (ICDM)</li> </ul>
<b>Strategy, Policies and Practices</b>			
2-29	Approach to stakeholder engagement	Pages 29 to 30	
2-30	Collective bargaining agreements	-	No employees are covered by collective bargaining agreements in BAT Malaysia
<b>GRI 3: Material Topics 2021</b>			
3-1	Process to determine material topics	Pages 31 to 34	
3-2	List of material topics	Page 31	

## GRI STANDARDS INDEX

GRI Standard	Disclosure	Remarks/Page Number	Omission
<b>ECONOMIC</b>			
<b>Management Approach</b>			
3-3	Management of Material Topics	Pages 36 to 47	
<b>201: Economic Performance</b>			
3-3	Management of Material Topics	Pages 36 to 47	
201-1	Direct economic value generated and distributed	Pages 44 to 47	
201-2	Financial implications and other risks and opportunities due to climate change	Pages 60 to 64	
201-3	Defined benefit plan obligation and other retirement plans	In 2023, BAT Malaysia maintained its employer contribution for the Employees Provident Fund (EPF), which is 4 percent higher than the mandatory employer contribution. This involves 12 percent for salaries more than RM5,000 and 13 percent for salaries less than RM5,000. In total, BAT Malaysia contributed 16 percent or 17 percent to the employees' EPF	
<b>202: Market Presence</b>			
3-3	Management of Material Topics	Pages 38 to 40	
202-1	Ratios of standard entry level wage by gender compared to local minimum wage	BAT Malaysia ensures that its workforce is compensated above the prescribed amount in the Minimum Wages Order 2020 irrespective of gender or location	
202-2	Proportion of senior management hired from local community	In 2023, 57 percent of our senior management were locals	Refer to our Leadership Team
<b>203: Indirect Economic Impacts</b>			
3-3	Management of Material Topics	Pages 80 to 85	
203-1	Infrastructure investments and services supported	Pages 80 to 85	
203-2	Significant indirect economic impacts	Pages 80 to 85	
<b>204: Procurement Practices</b>			
3-3	Management of Material Topics	Pages 41 to 43	
<b>ENVIRONMENTAL</b>			
<b>103: Management Approach</b>			
3-3	Management of Material Topics	Pages 53 to 64	
<b>302: Energy</b>			
3-3	Management of Material Topics	Pages 53 to 55	
302-1	Energy Consumption Within the Organisation	Pages 53 to 55	
302-4	Reduction of Energy Consumption	Pages 53 to 55	

## GRI STANDARDS INDEX

GRI Standard	Disclosure	Remarks/Page Number	Omission
<b>ENVIRONMENTAL (continued)</b>			
<b>303: Water and Effluents 2018</b>			
3-3	Management of Material Topics	Pages 58 to 59	
303-1	Interactions with water as a shared resource	Pages 58 to 59	
303-2	Management of water discharge-related impacts	Pages 58 to 59	
303-3	Water withdrawal	Page 59	
303-4	Water discharge	Not reported	
303-5	Water consumption	Not reported	
<b>305: Emissions</b>			
3-3	Management of Material Topics	Pages 53 to 55	
305-1	Direct (Scope 1) GHG Emissions	Pages 53 to 55	
305-2	Energy indirect (Scope 2) GHG Emissions	Pages 53 to 55	
305-3	Other indirect (Scope 3) GHG Emissions	Pages 53 to 55	
305-4	GHG Emissions Intensity	Not reported	
305-5	Reduction of GHG Emissions	Pages 53 to 55	
<b>306: Waste 2020</b>			
3-3	Management of Material Topics	Pages 56 to 59	
306-1	Waste generation and significant waste-related impacts	Pages 56 to 59	
306-2	Management of significant waste-related impacts	Pages 56 to 59	
306-3	Waste generated	Pages 56 to 59	
306-4	Waste diverted from disposal	Pages 56 to 59	
306-5	Waste directed to disposal	Pages 56 to 59	
<b>307: Environmental Compliance</b>			
307-1	Non-compliance with environmental laws and regulations	There were no non-compliance with environmental laws and regulations	
<b>SOCIAL</b>			
<b>Management Approach</b>			
3-3	Management of Material Topics	Pages 65 to 85	
<b>401: Employment</b>			
3-3	Management of Material Topics	Pages 66 to 76	
401-1	New employee hires and employee turnover	Pages 73 to 76 and page 23	
401-2	Benefits provided to full-time employees that are not provided to temporary or part-time employees	Page 73	
401-3	Parental leave	Page 72	

## GRI STANDARDS INDEX

GRI Standard	Disclosure	Remarks/Page Number	Omission
<b>SOCIAL (continued)</b>			
<b>403: Occupational Health and Safety</b>			
3-3	Management of Material Topics	Pages 78 to 79	
403-1	Occupational Health and Safety Management System	Pages 78 to 79	
403-2	Hazard Identification, Risk Assessment and Incident Investigation	Pages 78 to 79	
403-4	Worker participation, consultation and communication on occupational health and safety	Pages 78 to 79	
403-5	Worker training on occupational health and safety	Pages 78 to 79	
403-8	Workers covered by an occupational health and safety management system	Pages 78 to 79	
403-9	Work-related injuries	Page 79	
403-10	Work-related ill health	Page 79	
<b>404: Training and Education</b>			
3-3	Management of Material Topics	Pages 68 to 69	
404-1	Average hours of training per year per employee	Pages 68 to 69	
404-2	Programmes for upgrading employee skills and transition assistance programmes	Pages 68 to 69	
404-3	Percentage of employees receiving regular performance and career development	100 percent of our employees received regular performance and career development	
<b>405: Diversity and Equal Opportunity</b>			
3-3	Management of Material Topics	Pages 70 to 72	
405-1	Diversity of governance bodies and employees	Page 22	
<b>406: Non-Discrimination</b>			
406-1	Incidents of discrimination and corrective actions taken	Page 70	
<b>408: Child Labour</b>			
408-1	Operations and suppliers at significant risk for incidents of child labour	Page 77	
<b>409: Forced or Compulsory Labour</b>			
409-1	Operations and suppliers at significant risk for incidents of forced or compulsory labour	Page 77	
<b>410: Security Practices</b>			
410-1	Security personnel trained in human rights policies or procedures	Not reported	
<b>411: Incidents of Violations Involving Rights of Indigenous Peoples</b>			
411-1	Incidents of violations involving rights of indigenous peoples	Not reported	

## GRI STANDARDS INDEX

GRI Standard	Disclosure	Remarks/Page Number	Omission
<b>SOCIAL (continued)</b>			
<b>412: Human Rights Assessment</b>			
3-3	Management of Material Topics	Page 77	
412-1	Operations that have been subjected to human rights reviews or impact assessments	Page 77	
412-2	Employee training on human rights policies or procedures	Page 77	
<b>413: Local Communities</b>			
3-3	Management of Material Topics	Pages 80 to 85	
413-1	Operations with local community engagement, impact assessments and development programmes	Pages 80 to 85	
<b>414: Supplier Social Assessment</b>			
3-3	Management of Material Topics	Page 77	
<b>415: Public Policy</b>			
415-1	Political contributions	There were no political contributions made by BAT Malaysia in 2023	
<b>416: Customer Health and Safety</b>			
416-1	Assessment of the health and safety impacts of product and service categories	100 percent of our tobacco products are assessed to ensure compliance to the emission standard for cigarette as provided under the Control of Tobacco Product Regulations (CTPR)	
416-2	Incidents of non-compliance concerning the health and safety impacts of products and services	There were zero incidents of non-compliance concerning the health and safety impacts or products and services	
<b>418: Customer Privacy</b>			
418-1	Substantiated complaints concerning breaches of customer privacy and losses of customer data	There were no substantiated complaints concerning breaches of customer privacy and losses of customer data in 2023	
<b>GOVERNANCE</b>			
<b>Management Approach</b>			
3-3	Management of Material Topics	Pages 94 to 124	
<b>205: Anti-Corruption</b>			
205-2	Communication and training about anti-corruption policies and procedures	100 percent of our employees completed the Anti-Bribery and Corruption e-module, which is mandatory and part of our Standards of Business Conduct. Our Anti-Bribery and Corruption policies and procedures are communicated to all our employees across all employment categories via email as well as the Standards of Business Conduct	
205-3	Confirmed incidents of corruption and actions taken	There were zero confirmed incidents of corruption and actions taken in 2023	
<b>206: Anti-Competitive Behaviour</b>			
206-1	Legal actions for anti-competitive behaviour, anti-trust and monopoly practices	There was no legal action taken against BAT Malaysia for anti-competitive behaviour, anti-trust or monopoly practices in 2023	

## CORPORATE INFORMATION

### Board of Directors

**Tan Sri Dato' Seri Dr. Aseh bin Haji Che Mat**  
PSM, SPSK, SSAP, SPTJ, SPDK, DPCM, DSAP, DIMP, KMN, AMN  
Independent Non-Executive Director  
(Chairman)

**Dato' Chan Choon Ngai**  
DSNS  
Senior Independent Non-Executive Director

**Eric Ooi Lip Aun**  
Independent Non-Executive Director

**Norliza binti Kamaruddin**  
Independent Non-Executive Director

**Datuk Christine Lee Oi Kuan**  
DPSM  
Non-Independent Non-Executive Director

**Nedal Louay Salem**  
Non-Independent Executive Director  
(Managing Director)

**Anthony Yong Mun Seng**  
Non-Independent Executive Director  
(Finance Director)

### Company Secretary

**Adiel Emir Ikram Aziz Al Rahim**  
(SSM Practicing Certificate No: 202208000613)  
(LS0010638)  
Tel : +60 (3) 2720 8188  
Fax : +60 (3) 2720 8106  
Email : adiel\_emir\_ikram\_aziz\_al\_rahim@bat.com

### Registered Office

**British American Tobacco (Malaysia) Berhad**  
[Registration No: 196101000326 (4372-M)]  
Level 19, Guoco Tower  
Damansara City  
No. 6, Jalan Damanela  
Bukit Damansara  
50490 Kuala Lumpur  
Tel : +60 (3) 2720 8188  
Fax : +60 (3) 2720 8106  
Email : bat\_malaysia@bat.com

### Company Website

www.batmalaysia.com

### Share Registrar

**Tricor Investor & Issuing House Services Sdn Bhd**  
[Registration No: 197101000970 (11324-H)]  
Unit 32-01, Level 32, Tower A  
Vertical Business Suite, Avenue 3  
Bangsar South, No. 8, Jalan Kerinchi  
59200 Kuala Lumpur  
Tel : +60 (3) 2783 9299  
Fax : +60 (3) 2783 9222  
Email : nazrul.darwin@my.tricorglobal.com;  
siti.zalina@my.tricorglobal.com

### Auditors

**KPMG PLT**  
[Firm No: LLP0010081-LCA & AF 0758]  
Chartered Accountants  
Level 10, KPMG Tower  
8, First Avenue  
Bandar Utama  
47800 Petaling Jaya  
Selangor Darul Ehsan  
Tel : +60 (3)7721 3388  
Fax : +60 (3)7721 3399

### Principal Bankers

- Citibank Berhad**  
[Registration No: 199401011410 (297089-M)]
- Malayan Banking Berhad**  
[Registration No: 196001000142 (3813-K)]
- Deutsche Bank (Malaysia) Berhad**  
[Registration No: 199401026871 (312552-W)]
- Sumitomo Mitsui Banking Corporation Malaysia Berhad**  
[Registration No: 201001042446 (926374-U)]

### Stock Exchange Listing

**Main Market of Bursa Malaysia Securities Berhad**  
Listed Since : 27 October 1961  
Stock Code : 4162  
Stock Name : BAT

## CORPORATE DIRECTORY

### PRINCIPAL OFFICES

#### BRITISH AMERICAN TOBACCO (MALAYSIA) BERHAD

[Registration No. 196101000326 (4372-M)]  
Head Office  
Level 19, Guoco Tower  
No. 6, Jalan Damanlela  
Bukit Damansara  
50490 Kuala Lumpur  
Tel : +60(3) 2720 8188  
Fax : +60(3) 2720 8106

#### TOBACCO IMPORTERS AND MANUFACTURERS SDN. BHD.

[Registration No. 196101000373 (4414-U)]  
Level 19, Guoco Tower  
No. 6, Jalan Damanlela  
Bukit Damansara  
50490 Kuala Lumpur  
Tel : +60(3) 2720 8188  
Fax : +60(3) 2720 8106

#### COMMERCIAL MARKETERS AND DISTRIBUTORS SDN. BHD.

[Registration No. 197801005300 (42316-T)]  
Level 19, Guoco Tower  
No. 6, Jalan Damanlela  
Bukit Damansara  
50490 Kuala Lumpur  
Tel : +60(3) 2720 8188  
Fax : +60(3) 2720 8106

### MANUFACTURING PLANT

#### TOBACCO IMPORTERS AND MANUFACTURERS SDN. BHD.

[Registration No. 196101000373 (4414-U)]  
No. 4, Jalan Teknologi Perintis 1/2  
Taman Teknologi Nusajaya  
79250 Iskandar Puteri  
Johar Darul Takzim  
Tel : +60(7) 869 1686  
Fax : +60(7) 869 1678

### BRANCH OFFICES

#### SELANGOR

Level 10, Guoco Tower  
No. 6, Jalan Damanlela  
Bukit Damansara  
50490 Kuala Lumpur  
Tel : +60(3) 2720 8211

#### KUALA LUMPUR

Level 10, Guoco Tower  
No. 6, Jalan Damanlela  
Bukit Damansara  
50490 Kuala Lumpur  
Tel : +60(3) 2720 8210

#### SEREMBAN

No. 305, Jalan Pusat Perdagangan  
Sendayan 3/6  
Pusat Perdagangan  
Sendayan  
71950 Negeri Sembilan

#### IPOH

No. 1, Jalan Abdul Manan  
Taman Eden  
30200 Ipoh, Perak  
Tel : +60(5) 525 1981

#### PENANG

Level 5, Wisma Leader  
No. 8, Jalan Larut  
10050 Penang  
Tel : +60(4) 287 4990

#### ALOR SETAR

No. 238, Jalan Kristal 3  
Taman Perindustrian Ringan Kristal  
05150 Alor Setar, Kedah  
Tel : +60(4) 737 2072

#### MELAKA

No. 12, Jalan Abadi 3  
Taman Malim Jaya  
75250 Melaka  
Tel : +60(6) 337 6593  
+60(6) 332 9236

#### JOHOR BAHRU

No 10 & 12, Jalan Roda 3  
Skudai 81300  
Johor Bahru, Johor  
Tel : +60(7) 511 6141  
+60(7) 511 2754

#### BATU PAHAT

No. 9, Jalan Komercial Pantai 1  
Pusat Komercial Pantai  
81300, Batu Pahat, Johor

#### KUANTAN

Level 5-A, Menara Zenith  
Jalan Putra Square 6  
Putra Square  
25200 Kuantan, Pahang  
Tel : +60(9) 573 7831 / 8373  
Fax : +60(9) 573 3484

#### KOTA BHARU

AG-01-15, Alwaqf Garden  
Boulevard @ Tunjong  
Jalan Kuala Krai  
16010 Kota Bharu, Kelantan  
Tel : +60(9) 740 6532

#### KOTA KINABALU

Lot L180-101/000  
Block A, HSK Industrial Centre  
Jalan Bundusan  
Mile 5 Off Jalan Penampang  
89500 Kota Kinabalu, Sabah  
Tel : +60(88) 722 628 / 629

#### KUCHING

No. 19-A, Lot 3439, Block 12  
Vista Industrial Park  
Muara Tebas Land District  
Off Jalan Setia Raja  
93350 Kuching, Sarawak  
Tel : +60(82) 362 112

**ANALYSIS OF SHAREHOLDINGS**

AS AT 29 FEBRUARY 2024

The total number of issued shares of the Company stands at 285,530,000 ordinary shares, with voting right of one vote per ordinary share.

**Distribution of Shareholdings**

Size of Shareholdings	No. of Shareholders	% of Shareholders	No. of Shares Held	% of Issued Shares
Less than 100	960	5.30	9,488	0.00
100 - 1,000	8,104	44.78	4,879,102	1.71
1,001 - 10,000	7,475	41.31	28,046,949	9.82
10,001 - 100,000	1,424	7.87	37,815,891	13.24
100,001 - 14,276,499 *	133	0.73	72,013,470	25.22
14,276,500 and above **	1	0.01	142,765,100	50.00
<b>Total</b>	<b>18,097</b>	<b>100.00</b>	<b>285,530,000</b>	<b>100.00</b>

## Notes:

\* Less than 5% of issued shares

\*\* 5% and above of issued shares

**Substantial Shareholders**

(As per Register of Substantial Shareholders)

No.	Name	Direct Interest		Indirect Interest	
		No. of Shares Held	% of Shareholders	No. of Shares Held	% of Shareholders
1.	British American Tobacco p.l.c.	-	-	142,765,100	50.00
2.	British American Tobacco (1998) Limited	-	-	142,765,100	50.00
3.	British American Tobacco (2012) Limited	-	-	142,765,100	50.00
4.	British American Tobacco (2009) Limited	-	-	142,765,100	50.00
5.	Weston (2009) Limited	-	-	142,765,100	50.00
6.	Weston Investment Company Limited	-	-	142,765,100	50.00
7.	British American Tobacco International (Holdings) B.V.	-	-	142,765,100	50.00
8.	British American Tobacco Holdings (The Netherlands) B.V.	-	-	142,765,100	50.00
9.	Allen & Ginter (UK) Limited	-	-	142,765,100	50.00
10.	Chelwood Trading & Investment Company Limited	-	-	142,765,100	50.00
11.	B.A.T. Industries p.l.c.	-	-	142,765,100	50.00
12.	British-American Tobacco (Holdings) Limited	-	-	142,765,100	50.00
13.	British American Tobacco Exports Limited	-	-	142,765,100	50.00
14.	British American Tobacco Holdings (Malaysia) B.V.	142,765,100	50.00	-	-

ANALYSIS OF SHAREHOLDINGS  
AS AT 29 FEBRUARY 2024

**Directors' Direct and Indirect Interests in the Company and its Related Corporations**

(As per Register of Directors' Shareholdings)

Interest in the Company		Number of ordinary shares			
		Direct Interest		Indirect Interest	
No.	Name	No. of Shares Held	% of Issued Shares	No. of Shares Held	% of Issued Shares
1.	Dato' Chan Choon Ngai	1,000	0.00*	-	-
2.	Datuk Lee Oi Kuan	100	0.00*	-	-

Interest in the Ultimate Holding Company British American Tobacco p.l.c.		Number of ordinary shares of 25p each in British American Tobacco p.l.c.			
		Direct Interest		Indirect Interest	
No.	Name	No. of Shares Held	% of Issued Shares	No. of Shares Held	% of Issued Shares
1.	Datuk Lee Oi Kuan	38,029	0.00*	-	-
2.	Nedal Louay Salem	55,000	0.00*	-	-
3.	Anthony Yong Mun Seng	933	0.00*	-	-

Note:

\* Less than 0.01%

Interest in the Ultimate Holding Company British American Tobacco p.l.c.		Number of ordinary shares of 25p each in British American Tobacco p.l.c.	
Deferred Share Bonus Scheme & International Share Reward Scheme		Direct Interest	
No.	Name	No. of Shares Held	
1.	Nedal Louay Salem	6,267	
2.	Anthony Yong Mun Seng	3,902	

Interest in the Ultimate Holding Company British American Tobacco p.l.c.		Number of options in ordinary shares of 25p each in British American Tobacco p.l.c.	
Long Term Incentive Plan		Direct Interest	
No.	Name	No. of Options Held	
1.	Nedal Louay Salem		
	LTIP (29 March 2031)	1,942	
	LTIP (25 March 2032)	7,146	
	LTIP (22 March 2033)	8,372	
2.	Anthony Yong Mun Seng		
	LTIP (25 March 2032)	1,924	
	LTIP (22 March 2033)	2,078	

Save as disclosed above, none of the Directors of the Company has any interest direct or indirect in the Company and its related corporations.

ANALYSIS OF SHAREHOLDINGS  
AS AT 29 FEBRUARY 2024**List of Top Thirty Largest Shareholders**

(without aggregating the securities from different securities accounts belonging to the same Registered Holder)

No.	Name	No. of Shares Held	% of Issued Shares
1.	British American Tobacco Holdings (Malaysia) B.V.	142,765,100	50.00
2.	Cartaban Nominees (Tempatan) Sdn Bhd Standard Chartered Bank (Singapore) Limited for Tan Yu Yeh	8,890,000	3.11
3.	Kam Loong Mining Sdn Bhd	3,992,000	1.40
4.	Maybank Nominees (Tempatan) Sdn Bhd Pledged Securities Account for Douglas Cheng Heng Lee	3,666,800	1.28
5.	Toh Ean Hai	3,191,000	1.12
6.	Yap Ah Fatt	2,975,000	1.04
7.	HSBC Nominees (Tempatan) Sdn Bhd HSBC (M) Trustee Bhd for Allianz Life Insurance Malaysia Berhad (MEF)	2,679,800	0.94
8.	HSBC Nominees (Asing) Sdn Bhd JPMCB NA for Vanguard Total International Stock Index Fund	2,123,069	0.74
9.	HSBC Nominees (Asing) Sdn Bhd JPMCB NA for Vanguard Emerging Markets Stock Index Fund	1,933,234	0.68
10.	Citigroup Nominees (Tempatan) Sdn Bhd Great Eastern Life Assurance (Malaysia) Berhad (SHF)	1,900,000	0.67
11.	Cartaban Nominees (Asing) Sdn Bhd Exempt AN for State Street Bank & Trust Company (West CLT OD67)	1,496,991	0.52
12.	Woon Chuan Keong	1,472,000	0.52
13.	HSBC Nominees (Tempatan) Sdn Bhd HSBC (M) Trustee Bhd for Allianz Life Insurance Malaysia Berhad (P)	1,394,300	0.49
14.	Cartaban Nominees (Asing) Sdn Bhd SSBT Fund WTAU for Wisdomtree Emerging Markets Smallcap Dividend Fund	1,215,500	0.43
15.	Foo Khen Ling	1,180,000	0.41
16.	Maybank Nominees (Tempatan) Sdn Bhd Maybank Private Wealth Management for Douglas Cheng Heng Lee (12021332) (433216)	994,800	0.35
17.	CIMSEC Nominees (Tempatan) Sdn Bhd Exempt AN for CIMB Commerce Trustee Berhad for Pearson Trust (PB)	975,200	0.34
18.	UOB Kay Hian Nominees (Asing) Sdn Bhd Exempt AN for UOB Kay Hian Pte Ltd (A/C Clients)	953,082	0.33
19.	HSBC Nominees (Tempatan) Sdn Bhd HSBC (M) Trustee Bhd for Allianz Life Insurance Malaysia Berhad (ULIFE)	940,200	0.33

ANALYSIS OF SHAREHOLDINGS  
AS AT 29 FEBRUARY 2024

**List of Top Thirty Largest Shareholders**

(without aggregating the securities from different securities accounts belonging to the same Registered Holder)

No.	Name	No. of Shares Held	% of Issued Shares
20.	Kam Loong Credit Sdn Bhd	915,000	0.32
21.	Cartaban Nominees (Asing) Sdn Bhd Exempt AN for Standard Chartered Bank Singapore Branch (SG PVB CLAC)	865,900	0.30
22.	HSBC Nominees (Tempatan) Sdn Bhd Exempt AN for Credit Suisse (SG BR-TST-Temp)	807,100	0.28
23.	Woon Chen Chin	800,000	0.28
24.	HSBC Nominees (Asing) Sdn Bhd JPMCB NA for Vanguard Fiduciary Trust Company Institutional Total International Stock Market Index Trust II	788,200	0.28
25.	HSBC Nominees (Tempatan) Sdn Bhd HSBC (M) Trustee Bhd for Allianz Life Insurance Malaysia Berhad (ULIFE2)	696,600	0.24
26.	Tan Yu Yeh	654,800	0.23
27.	Lim Sew Muei	615,300	0.22
28.	Woon Chuan Keong	588,000	0.21
29.	Woon Yin Shan	565,000	0.20
30.	Tee Chee Chong	535,000	0.19
<b>Total</b>		<b>192,568,976</b>	<b>67.45</b>

## NOTICE OF ANNUAL GENERAL MEETING

**NOTICE IS HEREBY GIVEN** that the Sixty-Third (63<sup>rd</sup>) Annual General Meeting (**AGM** or **Meeting**) of British American Tobacco (Malaysia) Berhad (the **Company**) will be held virtually at the broadcast venue, Infinity Room, Level 16, Guoco Tower, Damansara City, No. 6, Jalan Damanlela, Bukit Damansara, 50490 Kuala Lumpur and via the TIH Online website at <https://tiah.online> on **Wednesday, 8 May 2024 at 9.30 a.m.** for the following purposes:

### AGENDA

#### AS ORDINARY BUSINESS

1. To receive the Audited Financial Statements for the financial year ended 31 December 2023 and the Reports of the Directors and Auditors thereon.  
*Please refer to Explanatory Note 9 (Note A)*
2. To re-elect the following Directors, each whom retires pursuant to Clause 109.1 of the Constitution of the Company:
  - i. Norliza binti Kamaruddin Ordinary Resolution 1
  - ii. Anthony Yong Mun Seng Ordinary Resolution 2*Please refer to Explanatory Note 9*
3. To approve the payment of Directors' fees and Board Committees' fees to the Non-Executive Directors for the period commencing 9 May 2024 until the next AGM of the Company. Ordinary Resolution 3  
*Please refer to Explanatory Note 9*
4. To approve the payment of Directors' benefits to the Non-Executive Directors of up to RM250,000 for the period commencing 9 May 2024 until the next AGM of the Company. Ordinary Resolution 4  
*Please refer to Explanatory Note 9*
5. To re-appoint KPMG PLT as the Auditors of the Company for the financial year ending 31 December 2024 and to authorise the Directors to fix their remuneration. Ordinary Resolution 5

#### AS SPECIAL BUSINESS

To consider and if thought fit, to pass the following Ordinary Resolution:

6. **Proposed Renewal of Shareholders' Mandate for the Company and its Subsidiaries to enter into Recurrent Related Party Transactions of a Revenue or Trading Nature with Related Parties (Proposed Renewal of the Recurrent RPTs Mandate)** Ordinary Resolution 6

"THAT, the Recurrent RPTs Mandate (as defined in the Circular to Shareholders dated 4 April 2024) granted by the shareholders of the Company authorising the Company and/or its Subsidiaries ("**British American Tobacco Malaysia Group**") to enter into recurrent related party transactions of a revenue or trading nature (**Recurrent RPTs**) with Related Parties (as defined in the Main Market Listing Requirements of Bursa Malaysia Securities Berhad) as set out in Paragraph 2.2 and Appendix II of the Circular to Shareholders dated 4 April 2024 which are necessary for British American Tobacco Malaysia Group's day-to-day operations, be and is hereby renewed and approved, provided that:

## NOTICE OF ANNUAL GENERAL MEETING

- i. the transactions are in the ordinary course of business and are on normal commercial terms which are not more favourable to the Related Parties than those generally available to the public and are not to the detriment of the minority shareholders to the Company; and
- ii. disclosure of the aggregate value of the transactions conducted during a financial year will be made in the annual report for the said financial year,

AND THAT the authority conferred by such renewed mandate shall continue to be in force until:

- i. the conclusion of the next AGM of the Company following the AGM at which the Proposed Renewal of the Recurrent RPTs Mandate is approved, at which time it will lapse, unless by a resolution passed at the next AGM the mandate is renewed.
- ii. the expiration of the period within which the next AGM of the Company after the forthcoming AGM is required to be held pursuant to Section 340(2) of the Companies Act, 2016 (but must not extend to such extension as may be allowed pursuant to Section 340(4) of the Companies Act, 2016); or
- iii. revoked or varied by resolution passed by the shareholders in general meeting,

whichever is earlier;

AND THAT the Directors of the Company be and are hereby authorised to complete and do all such acts and things as they may consider expedient or necessary in the best interest of the Company (including executing all such documents as may be required) to give effect to the Proposed Renewal of the RPTs Mandate.

AND FURTHER THAT, as the estimated values of the Recurrent RPTs given in Appendix II of the Circular to Shareholders dated 4 April 2024 are provisional in nature, the Directors of the Company or any of them be and are hereby authorised to agree to the actual amount or amounts thereof, provided that such amount or amounts comply with the review procedures set out in Paragraph 2.3 of the Circular to Shareholders dated 4 April 2024.”

*Please refer to Explanatory Note 10*

7. To transact any other business of which due notice shall have been given.

**FURTHER NOTICE IS HEREBY GIVEN THAT** for the purpose of determining a member who shall be entitled to attend the 63<sup>rd</sup> AGM, the Company shall be requesting Bursa Malaysia Depository Sdn Bhd in accordance with Clause 71 of the Constitution and Section 34(1) of the Securities Industry (Central Depositories) Act 1991, to issue a General Meeting Record of Depositors as at 25 April 2024. Only a member whose name appears on this Record of Depositors shall be entitled to attend the said Meeting or appoint proxies to attend and/or vote on his/her behalf.

By Order of the Board  
**BRITISH AMERICAN TOBACCO (MALAYSIA) BERHAD**

Adiel Emir Ikram Aziz Al Rahim  
LS0010638  
SSM PC No.: 202208000613

Company Secretary

Kuala Lumpur  
4 April 2024

## NOTICE OF ANNUAL GENERAL MEETING

**Notes:**

1. The 63<sup>rd</sup> AGM will be conducted virtually through live streaming and online voting using Remote Participation and Voting (**RPV**) facilities which are available on Tricor Investor & Issuing House Services Sdn Bhd's TIIH Online website at <https://tiih.online>. Please refer to the Administrative Details of the 63<sup>rd</sup> AGM in order to register, participate and vote remotely via the RPV facilities.
2. The broadcast venue of the 63<sup>rd</sup> AGM is strictly for the purpose of complying with Section 327(2) of the Companies Act 2016 which requires the Chairman of the Meeting to be present at the main venue. **No members/proxy(ies) will be allowed to be physically present at the broadcast venue.** If a member is not able to attend the Meeting via RPV facilities, he/she can appoint the Chairman of the Meeting as his/her proxy and indicate the voting instructions in the proxy form.
3. A member entitled to attend and vote remotely at the Meeting is entitled to appoint not more than two (2) proxies to attend and vote remotely on his/her behalf. Where a member appoints two (2) proxies, the appointment shall be invalid unless the percentage of the shareholding to be represented by each proxy is specified. A proxy need not be a member of the Company.
4. Where a member of the Company is an exempt authorised nominee which holds ordinary shares in the Company for multiple beneficial owners in one securities account (**Omnibus Account**), there is no limit to the number of proxies which the exempt authorised nominees may appoint in respect of each Omnibus Account it holds. An exempt authorised nominee refers to an authorised nominee defined under the Securities Industry (Central Depositories) Act 1991 (**Central Depositories Act**) which is exempted from compliance with the provisions of subsection 25A(1) of the Central Depositories Act.
5. The instrument appointing a proxy(ies) must be under the hand of the appointer or of his/her attorney duly authorised in writing. Where the instrument appointing a proxy(ies) is executed by a corporation, it must be executed either under its seal or under the hand of any officer or attorney duly authorised.
6. If there is no indication as to how a member wishes his/her vote to be cast, the proxy will vote or abstain from voting at his/her discretion. In the event a member duly executes the proxy form but does not name any proxy, such member shall be deemed to have appointed the Chairman of the Meeting as his/her proxy.
7. The proxy form must be duly executed and deposited at the Share Registrar of the Company at Tricor Investor & Issuing House Services Sdn Bhd, Unit 32-01, Level 32, Tower A, Vertical Business Suite, Avenue 3, Bangsar South, No. 8, Jalan Kerinchi, 59200 Kuala Lumpur or alternatively, the Customer Service Centre at Unit G-3, Ground Floor, Vertical Podium, Avenue 3, Bangsar South, No. 8, Jalan Kerinchi, 59200 Kuala Lumpur, Malaysia not less than forty-eight (48) hours before the time appointed for holding the meeting or adjourned meeting or **no later than 6 May 2024 at 9.30 a.m.** The proxy appointment may also be lodged electronically via Tricor's TIIH Online website at <https://tiih.online>.
8. Pursuant to Paragraph 8.29A(1) of the Main Market Listing Requirements of Bursa Malaysia Securities Berhad, all the Resolutions set out in this Notice will be put to vote by poll.
9. **Explanatory Notes on Ordinary Business**

**Note A**

The Audited Financial Statements for the financial year ended 31 December 2023 under Agenda item 1 are meant for discussion only in accordance with the provision of Section 340(1)(a) of the Companies Act, 2016, and it does not require a formal approval of the shareholders. Hence, this agenda item will not be put forward for voting.

## NOTICE OF ANNUAL GENERAL MEETING

**Ordinary Resolutions 1 and 2 – To re-elect Norliza binti Kamaruddin and Anthony Yong Mun Seng as Directors**

Clause 109.1 of the Constitution of the Company states that one-third (1/3) of the Directors shall retire from office and be eligible for re-election at the annual general meeting.

Norliza binti Kamaruddin and Anthony Yong Mun Seng being eligible, has offered themselves for re-election as Directors at the 63<sup>rd</sup> AGM. The Board has endorsed the Nomination and Remuneration Committee's recommendation on the re-election of the retiring Directors. The retiring Directors had abstained from deliberations and decisions on their re-election at the Nomination and Remuneration Committee and Board meetings.

The Nomination and Remuneration Committee had assessed Norliza binti Kamaruddin and considered the Director's performance and contribution based on the Board and Directors Effectiveness Evaluation, her contribution to the Board deliberations, time commitment and her ability to act in the best interests of the Company in decision-making. The Nomination and Remuneration Committee also reviewed and assessed Norliza binti Kamaruddin's independence in accordance with the Main Market Listing Requirements of Bursa Malaysia Securities Berhad as well as Fit & Proper Assessment based on the Fit & Proper Policy of the Company. The Board had endorsed the Nomination and Remuneration Committee's recommendation subject to the shareholders' approval at this AGM.

The Nomination and Remuneration Committee had assessed Anthony Yong Mun Seng and considered the Director's performance and contribution based on the Board and Directors Effectiveness Evaluation, his contribution to the Board deliberations, time commitment and his ability to act in the best interests of the Company in decision-making. The Nomination and Remuneration Committee also reviewed and assessed Anthony Yong Mun Seng through the Fit & Proper Assessment based on the Fit & Proper Policy of the Company. The Board had endorsed the Nomination and Remuneration Committee's recommendation subject to the shareholders' approval at this AGM.

The details and profiles of Directors who are standing for re-election at the 63<sup>rd</sup> AGM are provided in the Directors Profile Section of the Company's Annual Report 2023.

**Ordinary Resolution 3 – Payment of Directors' fees and Board Committees' fees to the Non-Executive Directors.**

- i) The Company is seeking shareholders' approval for the payment of Directors' fees and Board Committees' to Non-Executive Directors for the period commencing 9 May 2024 until the next AGM of the Company based on the fee structure below.

Structure	Chairman	Member
	Fee (RM per annum)	Fee (RM per annum)
Board of Directors	345,000	100,000
Audit Committee	10,000	-
Nomination and Remuneration Committee	10,000	-
Risk Management Committee	10,000	-
Sustainability Committee	10,000	-

## NOTICE OF ANNUAL GENERAL MEETING

**Ordinary Resolution 4 – Payment of Non-Executive Directors' benefits of up to RM250,000**

The Company is seeking shareholders' approval for the payment of Non-Executive Directors' benefits of up to RM250,000 for the period commencing 9 May 2024 until the next AGM of the Company based on the fee structure below.

The details of the Non-Executive Directors' benefits structure adopted by the Company are as follows:

Structure	Chairman	Member
	Allowance (RM per annum)	Meeting Allowance (RM per meeting)
Board of Directors	154,092	-
Audit Committee	-	1,000
Nomination and Remuneration Committee	-	1,000
Risk Management Committee	-	1,000
Sustainability Committee	-	1,000

The Non-Executive Directors who are shareholders of the Company will abstain from voting on Resolution 3 and Resolution 4.

**Ordinary Resolution 5 – Re-appointment of Auditors**

The Audit Committee had undertaken an annual assessment of the external auditors, KPMG PLT on their independence, scope of audit, audit fee, expert and experience, performance based on annual audit scope and planning. The Audit Committee was satisfied with the suitability of KPMG PLT on the quality of audit, performance, competency and sufficiency of resources the external audit team provided to the Company.

**10. Explanatory Notes on Special Business****Ordinary Resolution 6 – Proposed Renewal of the Recurrent RPTs Mandate**

The proposed resolution, if passed, will enable British American Tobacco Malaysia Group to enter into the recurrent related party transactions of a revenue or trading nature which are necessary for the British American Tobacco Malaysia Group's day-to-day operations, subject to the transactions being in the ordinary course of business and on normal commercial terms which are not more favourable to the related parties than those generally available to the public and are not to the detriment of the minority shareholders of the Company.

Further information on the Proposed Renewal of the Recurrent RPTs Mandate is set out in the Circular to Shareholders dated 4 April 2024, which is available at the Company's corporate website at [www.batmalaysia.com](http://www.batmalaysia.com).

**11. Personal Data Privacy**

By lodging of a completed proxy form to the Company and the Share Registrar (as the case may be) for appointing a proxy(ies) and/or representative(s) to attend and vote remotely at the 63<sup>rd</sup> AGM and any adjournment therefore, a shareholder of the Company and the Share Registrar is hereby:

- i. consenting to the collection, use and disclosure of the member's personal data by the Company and to Share Registrar (as the case may be) for the purpose of the processing and administration by the Company and the Share Registrar (as the case may be) of proxy(ies) and representative(s) appointed for the 63<sup>rd</sup> AGM (including any adjournment thereof), and in order for the Company and the Share Registrar (as the case may be) to comply with any applicable laws, listing rules, regulations and/or guidelines (collectively the **Purpose**).

## NOTICE OF ANNUAL GENERAL MEETING

- ii. warranting that where the member discloses the personal data of shareholder's proxy(ies) and/or representative(s) to the Company and the Share Registrar (as the case may be), the shareholder has obtained to prior consent of such proxy(ies) and/or representative(s) for the collection, use and disclosure by the Company and the Share Registrar (as the case may be) of the personal data of such proxy(ies) and/or representative(s) for the purpose (**Warranty**); and
- iii. agreeing that the member will indemnify the Company and the Share Registrar (as the case may be) in respect of any penalties, liabilities, claims, demands, losses and damages as a result of the Shareholder's breach of Warranty.

For the purpose of the paragraph, "personal data" shall have the same meaning given in section 4 of Personal Data Protection Act 2010.

**STATEMENT ACCOMPANYING NOTICE OF THE 63<sup>RD</sup> AGM**

(PURSUANT TO PARAGRAPH 8.27(2) OF THE MAIN MARKET LISTING REQUIREMENT OF BURSA MALAYSIA SECURITIES BERHAD)

There are no Directors standing for election at the forthcoming 63<sup>rd</sup> AGM.

## ADMINISTRATIVE DETAILS

FOR BRITISH AMERICAN TOBACCO (MALAYSIA) BERHAD  
SIXTY-THIRD (63<sup>RD</sup>) ANNUAL GENERAL MEETING (AGM)

**Date** : Wednesday, 8 May 2024

**Time** : 9.30 a.m.

**Broadcast venue** : Infinity Room, Level 16, Guoco Tower, Damansara City,  
No. 6, Jalan Damanlela, Bukit Damansara, 50490 Kuala Lumpur.

**Meeting Platform** : TIIH Online website at <https://tiih.online>

### 1. Public Health Preventive Measure

- The 63<sup>rd</sup> AGM will be conducted virtually through live streaming and online remote voting using Remote Participation and Voting (RPV) facilities which are available on Tricor Investors & Issuing House Services Sdn Bhd's TIIH Online website at <https://tiih.online>.
- The broadcast venue of the 63<sup>rd</sup> AGM is strictly for the purpose of complying with Section 327(2) of the Companies Act 2016 which requires the Chairman of the Meeting to be present at the main venue. **No members/proxy(ies) will be allowed to be physically present at the broadcast venue.**
- We **strongly encourage** you to attend the 63<sup>rd</sup> AGM using the RPV facilities. You may consider appointing the Chairman of the Meeting as your proxy to attend and vote on your behalf at the 63<sup>rd</sup> AGM.

### 2. Entitlement to Participate and Vote using RPV facilities

- Only members whose names appear in the Record of Depositors as at **5.00 p.m. on 25 April 2024 (General Meeting Record of Depositors)** shall be entitled to attend, speak (*in the form of real time submission of typed texts*) and vote at the 63<sup>rd</sup> AGM in respect of the number of shares registered in their name at that time.
- If a member wish to participate in the 63<sup>rd</sup> AGM via the RPV facilities, please **do not** submit any proxy form. You will not be allowed to participate in the 63<sup>rd</sup> AGM together with a proxy appointed by you.
- Members/proxies/corporate representatives/attorneys who wish to participate in the 63<sup>rd</sup> AGM remotely using the RPV facilities, please do read and follow the procedures in **Appendix A**.

As the 63<sup>rd</sup> AGM is a virtual AGM, members who are unable to participate in the 63<sup>rd</sup> AGM may appoint the Chairman of the Meeting as his/her proxy and indicate the voting instructions in the proxy form.

### 3. Appointment of Proxy(ies) or Corporate Representative(s) or Attorney(s)

- If a member is unable to attend the 63<sup>rd</sup> AGM via RPV facilities, he/she can appoint the Chairman of the Meeting as his or her proxy and indicate the voting instruction in the proxy form. The proxy form and/or documents relating to the appointment of proxy(ies) for the 63<sup>rd</sup> AGM whether in hardcopy or by electronic means shall be deposited or submitted in the following manner not less than forty-eight (48) hours before the time appointed for the taking of poll or **no later than 6 May 2024 at 9.30 a.m.:**
  - In hard copy form:
    - In the case of an appointment made in hard copy form, the proxy form must be duly executed and deposited with Tricor Investor & Issuing House Services Sdn Bhd, Unit 32-01, Level 32, Tower A, Vertical Business Suite, Avenue 3, Bangsar South, No. 8, Jalan Kerinchi, 59200 Kuala Lumpur or alternatively, the Customer Service Centre at Unit G-3, Ground Floor, Vertical Podium, Avenue 3, Bangsar South, No. 8 Jalan Kerinchi, 59200 Kuala Lumpur.
  - By electronic form:
    - In the case of an appointment made in electronic form, the proxy form can be electronically lodged via TIIH Online. Kindly refer to the Procedures for Electronic Submission of Proxy Form in Appendix A.

ADMINISTRATIVE DETAILS  
FOR BRITISH AMERICAN TOBACCO (MALAYSIA) BERHAD  
SIXTY-THIRD (63<sup>RD</sup>) ANNUAL GENERAL MEETING (AGM)

- Corporate members through corporate representative (s) or nominees companies (through the beneficiary of shares held under a nominee company's Central Depository System (CDS) account) or attorney(s) appointed as power of attorney, who wish to appoint their proxy(ies) or the Chairman of the Meeting for the 63<sup>rd</sup> AGM, shall submit their original/certificate of appointment of corporate representative or power of attorney upon request for verification whether in hardcopy or by electronic means, and shall be deposited or submitted in the following not less than forty-eight (48) hours before the time appointed for the taking of poll or **no later than 6 May 2024 at 9.30 a.m.:**
  - i. In hard copy form:
    - In the case of an appointment made in hard copy form, the proxy form must be duly executed and deposited with Tricor Investor & Issuing House Services Sdn Bhd, Unit 32-01, Level 32, Tower A, Vertical Business Suite, Avenue 3, Bangsar South, No. 8, Jalan Kerinchi, 59200 Kuala Lumpur or alternatively, the Customer Service Centre at Unit G-3, Ground Floor, Vertical Podium, Avenue 3, Bangsar South, No. 8 Jalan Kerinchi, 59200 Kuala Lumpur.
  - ii. By electronic form:
    - In the case of an appointment made in electronic form, the proxy form can be electronically lodged via TIIH Online. Kindly refer to the Procedures for Electronic Submission of Proxy Form in Appendix A.

#### 4. Voting Procedure

- Voting at the 63<sup>rd</sup> AGM will be conducted on polling basis. The Company's Share Registrar, Tricor, is appointed as Poll Administrator to conduct the polling process. An Independent Scrutineer is appointed to verify and validate the results of the poll.
- Members can proceed to vote on the resolutions at any time from the commencement of the 63<sup>rd</sup> AGM at 9.30 a.m. via RPV facilities and complete voting before the end of the voting session, which will be announced by the Chairman of the Meeting.

#### 5. Pre-Meeting Submission of Questions to the Board of Directors (Board)

- The Board recognises that the 63<sup>rd</sup> AGM is a valuable opportunity for the Board to engage with members. In order to enhance the efficiency of the proceedings of the 63<sup>rd</sup> AGM, members may in advance, prior to the 63<sup>rd</sup> AGM, submit questions to the Board via TIIH Online website at <https://tiih.online>, by selecting "e-Services" to login, post your questions and submit it electronically no later than **6 May 2024 at 9.30 a.m.** The Board will endeavour to address the questions received at the 63<sup>rd</sup> AGM.

#### 6. No recording or photography

- Strictly **NO recording or photography** of the proceedings of the 63<sup>rd</sup> AGM is allowed.

ADMINISTRATIVE DETAILS  
FOR BRITISH AMERICAN TOBACCO (MALAYSIA) BERHAD  
SIXTY-THIRD (63<sup>RD</sup>) ANNUAL GENERAL MEETING (AGM)

## 7. Enquiry

- If you have general queries prior to the 63<sup>rd</sup> AGM, please contact the following persons during office hours i.e. from 8.30 a.m. to 5.30 p.m. (Monday to Friday):

<b>Tricor Investor &amp; Issuing House Services Sdn Bhd</b> Registration No. 197101000970 (11324-H) Unit 32-01, Level 32, Tower A Vertical Business Suite, Avenue 3, Bangsar South No.8, Jalan Kerinchi, 59200 Kuala Lumpur, Malaysia.	General Line No.	+60(3) 27839299
	Fax No.	+60(3) 27839222
	Email	is.enquiry@my.tricorglobal.com
	Mr. Mohamad Hifzul	+60(3) 27839284 Mohamad.Hifzul@my.tricorglobal.com
	Mr. Nazrul Darwin	+60(3) 27839246 Nazrul.Darwin@my.tricorglobal.com
	Ms. Siti Zalina	+60(3) 27839247 Siti.Zalina@my.tricorglobal.com

Appendix A

## Procedures for RPV

Shareholders, proxies or authorised representatives who wish to participate the 63<sup>rd</sup> AGM of the Company using the RPV Facilities are to follow the requirements and procedures summarised below:

Procedure	Action
<b>BEFORE THE AGM DAY</b>	
a. Register as a new user with TIIH Online	<ul style="list-style-type: none"> <li>Using your computer, access the TIIH Online website at <a href="https://tiih.online">https://tiih.online</a>.</li> <li>Register as a new user under “e-Services” by selecting “Create Account by Individual Holder”. Refer to the tutorial guide on the homepage for assistance.</li> <li>Registration as a new user will be approved within one (1) working day and you will be notified via e-mail.</li> <li>If you are already a TIIH Online user, you are not required to register again. You will receive an email to notify you that the remote participation is available for registration at TIIH Online.</li> </ul>
b. Submit your request to attend the 63 <sup>rd</sup> AGM remotely	<ul style="list-style-type: none"> <li>Registration is open from <b>Thursday, 4 April 2024</b> until the day of the 63<sup>rd</sup> AGM on <b>Wednesday, 8 May 2024</b>. <b>Member(s)/proxy(ies)/corporate representative(s)/attorney(s) are required to pre-register their attendance for the 63<sup>rd</sup> AGM to ascertain their eligibility to participate in the 63<sup>rd</sup> AGM using RPV.</b></li> <li>Login with your user ID and password and select the corporate event: “(REGISTRATION) BAT Malaysia 63<sup>rd</sup> AGM”.</li> <li>Read and agree to the “Terms and Conditions” and confirm the “Declaration”.</li> <li>Select “Register for Remote Participating and Voting”.</li> <li>Review your registration and proceed to register.</li> <li>The system will send an email to notify that your registration for remote participation has been received and will be verified.</li> <li>Upon verification of your registration against the General Meeting Record of Depositors as at <b>25 April 2024</b>, the system will send you an <b>email after 6 May 2024 to approve or reject</b> your registration for remote participation.</li> </ul> <p><b>(IMPORTANT: Please allow sufficient time for approval of new user of TIIH Online and registration for RPV).</b></p>

ADMINISTRATIVE DETAILS  
FOR BRITISH AMERICAN TOBACCO (MALAYSIA) BERHAD  
SIXTY-THIRD (63<sup>RD</sup>) ANNUAL GENERAL MEETING (AGM)

Procedure	Action
<b>ON THE AGM DAY</b>	
a.	<p>Login to TIH Online</p> <ul style="list-style-type: none"> <li>● Login with your user ID name and password for remote participation in the 63<sup>rd</sup> AGM at any time from <b>8.30 a.m. (i.e. 1 hour)</b> before the commencement of the meeting at <b>9.30 a.m. on Wednesday, 8 May 2024</b>.</li> </ul>
b.	<p>Participate through live streaming</p> <ul style="list-style-type: none"> <li>● Select “<b>(LIVE STREAMING MEETING) BAT Malaysia 63<sup>rd</sup> AGM</b>” to engage in the proceedings of the AGM remotely.</li> <li>● If you have any questions for the Chairman/Board, you may use the query box to submit your question. The Chairman/Board will try to respond to the questions submitted by remote participants during the 63<sup>rd</sup> AGM. In the event of time constraint, the responses will then be emailed to you at the earliest possible time, after the meeting.</li> </ul>
c.	<p>Online remote voting</p> <ul style="list-style-type: none"> <li>● Voting session commences from <b>9.30 a.m. on Wednesday, 8 May 2024</b> until a time when the Chairman of the Meeting announces the end of the voting session.</li> <li>● Select the corporate event: “<b>(REMOTE VOTING) BAT Malaysia 63<sup>rd</sup> AGM</b>” or if you are on the live streaming meeting page, you can select “<b>GO TO REMOTE VOTING PAGE</b>” button below the query box.</li> <li>● Read and agree to the “<b>Terms and Conditions</b>” and confirm the “<b>Declaration</b>”.</li> <li>● Select the CDS account that represents your shareholdings.</li> <li>● Indicate your votes for the resolutions that are tabled for voting.</li> <li>● Confirm and submit your votes.</li> </ul>
d.	<p>End of remote participation</p> <ul style="list-style-type: none"> <li>● Upon the announcement by the Chairman on the closure of the 63<sup>rd</sup> AGM, the live streaming will end.</li> </ul>

**Note to users of the RPV facilities**

- Should your registration for the RPV facilities be approved, Tricor will make available to you the rights to join the live streaming meeting and to vote remotely. Your login to TIH Online on the day of the meeting will indicate your presence at the virtual meeting.
- The quality of your connection to the live streaming depends on your internet bandwidth, the stability of your internet connection, and the device you are using.
- In the event you encounter any issues with the login, connection to the live streaming meeting, or online voting, kindly contact Tricor Helpline at 011-40805616/011-40803168/011-40803169/011-40803170 or email to [tiih.online@my.tricorglobal.com](mailto:tiih.online@my.tricorglobal.com) for assistance.

ADMINISTRATIVE DETAILS  
FOR BRITISH AMERICAN TOBACCO (MALAYSIA) BERHAD  
SIXTY-THIRD (63<sup>RD</sup>) ANNUAL GENERAL MEETING (AGM)

**Procedures for Electronic Submission of Proxy Form  
Appointment of Proxy(ies)/Corporate Representative (s)/Attorney(s)**

Procedure	Action
<b>BEFORE THE AGM DAY APPOINTMENT OF PROXY : INDIVIDUAL SHAREHOLDERS</b>	
a.	<p>Register as a new user with TIIH Online</p> <ul style="list-style-type: none"> <li>● Using your computer, access TIIH Online website at <a href="https://tiih.online">https://tiih.online</a>.</li> <li>● Register as a new user under “<b>e-Services</b>”. Refer to the tutorial guide on the homepage for assistance.</li> <li>● If you are already a TIIH Online user, you are not required to register again.</li> </ul>
b.	<p>Proceed with the submission of Proxy Form</p> <ul style="list-style-type: none"> <li>● After the release of the Notice of meeting by the Company, login with your user ID and password.</li> <li>● Select the corporate event: “<b>BAT Malaysia 63<sup>rd</sup> AGM: Submission of Proxy Form</b>”.</li> <li>● Read and agree to the “<b>Terms and Conditions</b>” and confirm the “<b>Declaration</b>”.</li> <li>● Insert the CDS account number and indicate the number of shares for your proxy(ies) to vote on your behalf.</li> <li>● Appoint your proxy(ies) and insert the required details of your proxy(ies) or appoint the Chairman of the Meeting as your proxy.</li> <li>● Indicate your voting instructions – “<b>FOR</b>” or “<b>AGAINST</b>”, otherwise your proxy(ies) will decide your vote.</li> <li>● Review and confirm your proxy(ies) appointment.</li> <li>● Print the Proxy Form for your record.</li> </ul>
<b>BEFORE THE AGM DAY APPOINTMENT OF PROXY : CORPORATE OR INSTITUTIONAL SHAREHOLDERS</b>	
a.	<p>Register as a new user with TIIH Online</p> <ul style="list-style-type: none"> <li>● Using your computer, access TIIH Online website at <a href="https://tiih.online">https://tiih.online</a>.</li> <li>● Register as a new user under “<b>e-Services</b>” by selecting “<b>Create Account by Representative of Corporate Holder</b>”.</li> <li>● Please complete the registration form and upload the required documents.</li> <li>● Your registration will be verified, and you will be notified by email within one (1) to two (2) working days.</li> <li>● Proceed to activate your account with the temporary password given in the email and reset your password.</li> </ul> <p><b>Note:</b> <i>The representative of a corporate or institutional shareholder must register as a user in accordance with the above steps before he/she can subscribe to this corporate holder electronic proxy submission. Please do contact our Share Registrar if you need clarifications on the user registration.</i></p>
b.	<p>Proceed with the submission of proxy form</p> <ul style="list-style-type: none"> <li>● After the release of the Notice of meeting by the Company, login TIIH Online at <a href="https://tiih.online">https://tiih.online</a> with your user ID and password.</li> <li>● Select the corporate event: “<b>BAT Malaysia 63<sup>rd</sup> AGM: Submission of Proxy Form</b>”.</li> <li>● Read and agree to the “<b>Terms and Conditions</b>” and confirm the “<b>Declaration</b>”.</li> <li>● Proceed to download the file format for the “<b>Submission of Proxy Form</b>” in accordance with the Guidance Note set therein.</li> <li>● Prepare the file for the appointment of proxies by inserting the required data.</li> <li>● Proceed to upload the duly completed proxy appointment file.</li> <li>● Select “Submit” to complete your submission.</li> <li>● Print the confirmation report of your submission for your record.</li> </ul>

# PROXY FORM

BRITISH AMERICAN TOBACCO (MALAYSIA) BERHAD

[Registration No. 196101000326 (4372-M)]

(Incorporated in Malaysia)



CDS Account No.

I/We \_\_\_\_\_ (NRIC/Passport/Co. No.: \_\_\_\_\_ )  
(Name as per NRIC/Passport/Certificate of Incorporation in Capital Letters)

of \_\_\_\_\_  
(Full Address)

being a member/members of BRITISH AMERICAN TOBACCO (MALAYSIA) BERHAD (the Company), do hereby appoint \_\_\_\_\_

\_\_\_\_\_ (NRIC/Passport No.: \_\_\_\_\_ )  
(Name as per NRIC/Passport in Capital Letters)

of \_\_\_\_\_  
(Full Address)

and/or failing him/her \_\_\_\_\_ (NRIC/Passport No.: \_\_\_\_\_ )  
(Name as per NRIC/Passport in Capital Letters)

of \_\_\_\_\_  
(Full Address)

or failing him/her, the Chairman of the Meeting as my/our proxy/proxies to vote for me/us and on my/our behalf at the Sixty-Third (63<sup>rd</sup>) Annual General Meeting (AGM or Meeting) of the Company, to be held virtually at the broadcast venue, **Infinity Room, Level 16, Guoco Tower, Damansara City, No. 6, Jalan Damanela, Bukit Damansara, 50490 Kuala Lumpur** and via the TIH Online website at <https://tjih.online> on **Wednesday, 8 May 2024 at 9.30 a.m.**, and at any adjournment thereof.

My/our proxy/proxies shall vote as follows:

*(Please indicate with an "X" in the spaces provided below how you wish your votes to be cast on the resolutions specified in the notice of meeting. If you do not do so, your proxy/proxies will vote or abstain as he/she may think fit)*

Resolutions		For	Against
Ordinary Resolution 1	Re-election of Norliza binti Kamaruddin who retires pursuant to Clause 109.1 of the Constitution of the Company.		
Ordinary Resolution 2	Re-election of Anthony Yong Mun Seng who retires pursuant to Clause 109.1 of the Constitution of the Company.		
Ordinary Resolution 3	Approval of payment of Directors' fees and Board Committees' fees for the period commencing 9 May 2024 to the Non-Executive Directors until the next AGM of the Company.		
Ordinary Resolution 4	Approval of payment of Directors' benefits to the Non-Executive Directors of up to RM250,000 for the period commencing 9 May 2024 until the next AGM of the Company.		
Ordinary Resolution 5	Re-appointment of KPMG PLT as Auditors of the Company for the financial year ending 31 December 2024 and to authorise Directors to fix their remuneration.		
Ordinary Resolution 6	Proposed Renewal of the Recurrent Related Party Transactions Mandate.		

Dated this \_\_\_\_\_ day of \_\_\_\_\_ 2024

For appointment of two proxies, the percentage of shareholdings to be represented by the proxies:

	No. of Shares	Percentage
Proxy 1		
Proxy 2		
TOTAL		100

\_\_\_\_\_  
Signature(s) of member(s)/Common Seal

**Notes:**

1. The 63<sup>rd</sup> AGM will be conducted virtually through live streaming and online voting using Remote Participation and Voting (RPV) facilities, which are available on Tricor Investor & Issuing House Services Sdn Bhd's TIH Online website at <https://tjih.online>. Please refer to the Administrative Details of the 63<sup>rd</sup> AGM in order to register, participate and vote remotely via the RPV facilities.
2. The broadcast venue of the 63<sup>rd</sup> AGM is strictly for the purpose of complying with Section 327(2) of the Companies Act 2016, which requires the Chairman of the Meeting to be present at the main venue. **No members/proxy(ies) will be allowed to be physically present at the broadcast venue.** If a member is not able to attend the Meeting via RPV facilities, he/she can appoint the Chairman of the Meeting as his/her proxy and indicate the voting instructions in the proxy form.
3. A member entitled to attend and vote remotely at the Meeting is entitled to appoint not more than two (2) proxies to attend and vote remotely on his/her behalf. Where a member appoints two (2) proxies, the appointment shall be invalid unless the percentage of the shareholding to be represented by each proxy is specified. A proxy need not be a member of the Company.
4. Where a member of the Company is an exempt authorised nominee that holds ordinary shares in the Company for multiple beneficial owners in one securities account (**Omnibus Account**), there is no limit to the number of proxies that the exempt authorised nominees may appoint in respect of each Omnibus Account it holds. An exempt authorised nominee refers to an authorised nominee defined under the Securities Industry (Central Depositories) Act 1991 (**Central Depositories Act**), which is exempted from compliance with the provisions of subsection 25A(1) of the Central Depositories Act.
5. The instrument appointing a proxy(ies) must be under the hand of the appointer or of his/her attorney duly authorised in writing. Where the instrument appointing a proxy(ies) is executed by a corporation, it must be executed either under its seal or under the hand of any officer or attorney duly authorised.
6. If there is no indication as to how a member wishes his/her vote to be cast, the proxy will vote or abstain from voting at his/her discretion. In the event a member duly executes the proxy form but does not name any proxy, such member shall be deemed to have appointed the Chairman of the Meeting as his/her proxy.  
  
The proxy form must be duly executed and deposited at the Registrar of Company at Tricor Investor & Issuing House Services Sdn Bhd, Unit 32-01, Level 32, Tower A, Vertical Business Suite, Avenue 3, Bangsar South, No. 8, Jalan Kerinchi, 59200 Kuala Lumpur, not less than forty-eight (48) hours before the time appointed for the taking of poll or **no later than 6 May 2024 at 9.30 a.m.** The proxy appointment may also be lodged electronically via TIH Online website at <https://tjih.online>.
7. Pursuant to Paragraph 8.29A(1) of the Main Market Listing Requirements of Bursa Malaysia Securities Berhad, all the Resolutions set out in this Notice will be put to vote by poll.
8. For the purpose of determining a member who shall be entitled to attend the 63<sup>rd</sup> AGM, the Company shall be requesting Bursa Malaysia Depository Sdn Bhd in accordance with Clause 71 of the Constitution and Section 34(1) of the Securities Industry (Central Depositories) Act 1991, to issue a General Meeting Record of Depositors as at 25 April 2024 shall be entitled to attend the said Meeting or appoint proxies to attend and/or vote on his/her behalf.

Please refer to the personal data privacy terms set out in the Notice of the 63<sup>rd</sup> AGM dated 4 April 2024.

*Please fold here to seal*

Affix postage  
stamp

The Share Registrar  
**British American Tobacco (Malaysia) Berhad**  
**[Registration No. 196101000326 (4372-M)]**  
c/o Tricor Investor & Issuing House Services Sdn Bhd  
[Registration No. 197101000970 (11324-H)]  
Unit 32-01, Level 32, Tower A,  
Vertical Business Suite, Avenue 3, Bangsar South,  
No. 8, Jalan Kerinchi, 59200 Kuala Lumpur, Malaysia.

*Please fold here to seal*



**British American Tobacco (Malaysia) Berhad**

[Registration No. 196101000326 (4372-M)]

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No. 6, Jalan Damanlela, Bukit Damansara  
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